



# National MSME Strategy and Roadmap for Belize





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## List of Abbreviations

AML/ CFT	Anti Money Laundering/ Combating the Financing of Terrorism
BCCI	Belize Chamber of Commerce and Industry
BEL	Belize Electricity Limited
BELAPS	Belize Electronic Licenses and Permits System
BELIPO	Belize Intellectual Property Office
BELTRAIDE	Belize Trade and Investment Development Service
BERF	Belize Enterprise Revolving Fund
BEST	Belize Enterprise for Sustainable Development
BPMS	Belize Package and Mail Service
BTEC	Business and Technology Education Council
CAP	Career Advancement Program
CARICOM	Caribbean Community
CCJ	Caribbean Court of Justice
CDF	CARICOM Development Fund
CNP	Card-Not-Present
CSME	Caribbean Single Market Economy
DFC	Development Finance Corporation of Belize
DPA	Designated Processing Area
EU	European Union
FDI	Foreign Direct Investment
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GOB	Government of Belize
GSDS	The Growth and Sustainable Development Strategy
GST	General Sales Tax
HACCP	Hazard Analysis and Critical Control Points
ICT	Information and Communication Technologies
IDB	International Development Bank
IMF	International Monetary Fund
IPP	Investment Policy and Promotion
ISIC	International Standard Industrial Classification
ITVET	Institute for Technical and Vocational Education and Training
MOCC	Massive Open Online Courses
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprise
NBSAP	National Biodiversity Strategy and Action Plan
NDC	National Determined Contribution
NFIS	National Financial Inclusion Strategy
NGO	Non-governmental organizations
NICH	National Institute of Culture and History
NIPS	National Investment Policy and Strategy
NTUCB	National Trade Union Congress of Belize
OECD	Organization for Economic Co-operation and Development
PACT	Protected Areas Conservation Trust
PPP	Public Private Partnership
PSE	Primary School Examination
R&D	Research and Development
SBA	US Small Business Administration

SEIA	Socioeconomic Impact Assessment
SIB	Statistical Institute of Belize
SIB	Statistical Institute of Belize
SICA	Central American Integration System
SIRDI	Sugar Industry Research and Development Institute
STEAM	Science, Technology, Engineering, Arts and Mathematics
STEM	Science, Technology, Engineering and Mathematics
TIN	Taxpayer Identification Number
TIPS	Trade and Investment Promotion Service
UB	University of Belize
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
USA	United States of America
WEF	World Economic Forum
WTO	World Trade Organization
YWCA	Young Women's Christian Association



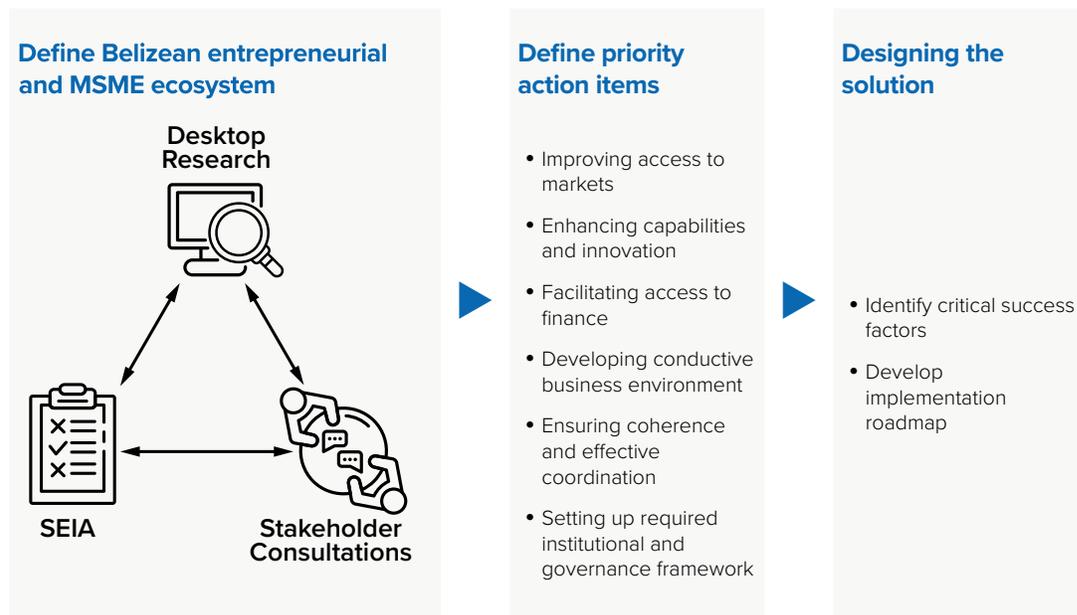
## Executive Summary

Like many developing countries, Belize depends heavily on the everyday activities of Micro Small and Medium Sized Enterprises (MSMEs) which play an essential role in driving growth and development. MSMEs account for up to 90% of all businesses established in Belize and roughly 50% of all employment.<sup>1</sup> However, support for Belizean MSMEs has been fragmented and programs have experienced varying degrees of efficacy. MSMEs have continuously struggled with accessing finance, building export readiness, diversification, and more recently digitalization. In addition, the global health crisis has exacerbated many of the underlying constraints that MSMEs face on a day-to-day basis. However, this report highlights that there is hope for Belizean MSMEs through careful planning, coordination and collaboration. Research shows that Belize has the right ingredients for MSME development: highly ambitious entrepreneurs, resilient female business owners, proximity to major markets (such as the US, Mexico and Canada) and preferential market access to the Caribbean Community (CARICOM) through the Caribbean Single Market Economy (CSME). Since the onset of the global health crisis there have been a number of policy changes, legislative and regulatory adjustments, institutional reforms and projected/ initiatives with far-reaching impacts on MSMEs. A summary of the main developments are highlighted below.

Business environment	<ul style="list-style-type: none"> <li>• Development of National Digital Agenda which presents a national vision to embrace digital government and streamline processes</li> <li>• Launch of IRIS Belize, an online taxpayer portal for the Belize Tax Service. The portal promises to transform the way Belizean tax payers comply with tax regulations and strengthen enforcement.</li> <li>• Development of National Investment Policy and Strategy by BELTRAIDE. This strategy will support BELTRAIDE in attracting much needed foreign and local investment to support export-led growth and MSME development</li> </ul>
Access to finance	<ul style="list-style-type: none"> <li>• Passage of the Securities Industries Act of 2020, which paves the way for the development of a national capital market</li> <li>• Signing of MOU between BELTRAIDE and the DFC to collaborate on implementing the “BELIZE ENTERPRISE REVOLVING FUND” (BERF) Project, financed by the CARICOM Development Fund (CDF). This project aims to diversify the national economy of Belize by strengthening and improving the competitiveness of Micro, Small, and Medium Enterprises (MSMEs), including those with export potential, through financing and technical assistance.</li> </ul>
Innovation	<ul style="list-style-type: none"> <li>• Development of National Innovation Pact by BELTRAIDE, in collaboration with the IDB, which lays out a strategic vision for fostering innovation and leveraging it to boost productivity</li> </ul>

1 Source: Statistical Institute of Belize. “2016 Business Establishment Survey.” Statistics, 2016, <https://sib.org.bz/statistics>. Accessed 20 September 2021.

This document represents Belize’s National MSME Strategy for 2022-2025. It is the first edition of many future iterations that will serve to support Belizean MSMEs as we navigate out of the global health crisis and as our economy evolves to keep pace with globalization. This strategy was developed following the three stepped approach outlined below.



A Digital Socio-economic Impact Assessment (SEIA) was conducted and used as a key descriptive tool for the Belizean entrepreneurial ecosystem. The United Nations Development Programme (UNDP) developed the SEIA to provide governments with comprehensive and timely information for evidence-based decision-making in responding to the needs of affected populations and enterprises in the immediate, medium and long-term. It is an end-to-end rapid digital toolkit based on an open-source primary data collection software that supports evidence-based policymaking and digital governance solutions. Through extensive outreach, Belizean entrepreneurs and MSME owners were able to complete an online survey that allowed for the characterization of the Belizean MSME ecosystem. In total, respondents were asked up to 41 questions.<sup>2</sup> The questions were structured to collect both qualitative and quantitative data on the impacts of Covid-19 on Micro, Small and Medium Enterprises (MSME) and how business owners have managed to cope throughout. Key data points from the SEIA are provided below.

2 Note: Skip-logic was embedded into the survey instrument via the KoBoToolbox platform. This allowed for an enhanced and streamlined respondent experience. Based on certain responses, respondents were redirected to certain questions.

## KEY HIGHLIGHTS OF THE SEIA

Between September 8 and October 30, 2021, 338 business owners and entrepreneurs responded to the SEIA. After quality control, the final analytical sample consisted of 287 responses. The figures presented below are derived from the final analytical sample.

Impact on business operations	Responses to the shock	Required policy support
 16% of firms remain closed due to the pandemic	 46% of firms started or increased use of digital platforms (e.g., Facebook, Instagram, etc.)	 Entrepreneurs identified cash transfers, access to new credit, and more affordable lending as the most preferred support policies for MSMEs
 44% of firms saw revenues fall by more than 50% due to the pandemic	 Small and medium enterprises are more likely to adopt technology than micro enterprises	 Covid related MSME support only reached 28% of firms
 The average drop in revenue was 60%	<b>Business owners</b>	 44% of firms that did not access support were not aware it was available
 52% of firms had to cut staff	 52% of all micro-enterprise owners are women	
 59% of firms face liquidity problems due to the pandemic	 72% of MSMEs do business in the tertiary sector	
 30% of firms either can't meet costs beyond 30 days or are unsure that they can	 The majority of firms are either micro (87%) or small (12%)	
	 Male SME owners outnumber female owners two to one	

In addition to the SEIA, a mixed methods approach was adopted to identify key challenges and opportunities within the Belizean MSME landscape. The analysis of the entrepreneurial and MSME ecosystem in Belize was driven along a multidimensional business climate assessment and 4-level ecosystem analytical framework. More than 40 challenges were identified, of which six (6) are overarching, cross-cutting challenges. These are summarized below.

**Cross-cutting Challenge 1: Lack of transparency of government policy continues to impact the private sector.** Economic policy reform in Belize has been slow and protracted. The country continues to perform poorly when compared to other CARICOM and Central American countries in attracting private investment. Foreign Direct Investment (FDI) in Belize accounted for only 0.06% of total regional investment estimated at US \$147BN in 2019.<sup>3</sup> Economic growth is almost exclusively tied to the fate of the tourism sector which has yet to recover from the global health crisis and which has come under increasing scrutiny due to its impact on Belize's biodiversity and environmental integrity.

**Cross-cutting Challenge 2: Lack of market openness.** The Belizean marketplace continues to suffer from a lack of openness. Domestic competition is often stifled by technical barriers, domestic monopolies, collusion, and corruption. Trade barriers, including tariffs, trade taxes, and complex licensing procedures, continue to favor large enterprises and the well-connected at the expense of new market entrants, innovators, and MSMEs. Key focus areas include, but are not limited to:

- **Competition policy:** Competition is constrained by dominant market players and the lack of a national legal framework for regulating competition.
- **Investment and trade openness:** Despite being party to several multilateral trade and investment agreements, economic liberalization has been limited and is insufficient to compete for investment and secure a stronger export position. Belizean companies fail to integrate value-added products into global supply and value chains due to the high costs of productive inputs including equipment and machinery.

**Cross-cutting Challenge 3: Lack of coordination.** The business climate assessment revealed that coordination between key government ministries and enterprise development agencies is limited and insufficient to maximize the growth potential of MSMEs. Starting a company requires clearances from authorities and accessing incentive schemes requires additional clearances. In addition, most processes still require the manual filling of forms and original documents. Databases are not shared between the relevant agencies which increases the costs for prospective MSMEs. Access to incentive schemes such as Belize's Designated Processing Area (DPA) program requires additional clearances from the Department of Environment and Central Building Authority.

**Cross-cutting Challenge 4: Informality continues to distort domestic markets.**<sup>4</sup> The current state of business laws, regulations, tax policy, and access to finance encourages business and entrepreneurs to operate informally. Informal output in Belize is estimated at 40% of GDP and informal employment is estimated at 30% of total formal employment.<sup>5</sup> Standardization and quality control is not prioritized making it easy for firms to operate informally and avoid detection. Key problem areas include:

- **Consumer protection:** Consumer protection agencies and regulators, such as the Belize Bureau of Business Standards, cannot effectively monitor informal goods and services. Production processes within the informal economy are likely to be substandard and expose consumers to health and other associated risks. Consumers are exposed to bacterial and viral

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3 Latin American and the Caribbean (excluding high income countries). Source: World Bank World Development Indicators (2021)

4 Source: While there is no officially contextualized definition of informality in Belize, it is generally accepted that the informal economy constitutes a diversified set of economic activities, enterprises, jobs, and workers that are not regulated or protected by the state.

5 Source: Ohnsorge, Franziska, and Shu Yu, eds. 2021. *The Long Shadow of Informality: Challenges and Policies*. Advance Edition. N.p.: The World Bank Group.

illnesses due to the unsafe agricultural and food handling practices which can drain public resources in healthcare and strain already thin health services.

- **Labor force standards:** Informal employees are likely to be paid below the minimum wage rate which is already one of the lowest in the Americas<sup>6</sup> and do not have access to social security benefits.<sup>7</sup>

**Cross-cutting Challenge 5: Access to finance.** Belize's financial system is comparatively underdeveloped and high-cost.<sup>8</sup> Access to finance remains a critical obstacle to MSME development even though the Belizean financial system is highly liquid with more than US \$430M in excess liquidity.<sup>9</sup> The financial system in Belize is bank-dominated with limited micro-financing options for MSMEs and entrepreneurs. Loans to businesses are available at high interest rates, with collateral requirements far in excess of the value of the loan.<sup>10</sup> For some entrepreneurs, high collateral requirements put them in a precarious position in the event of business disruptions, risking foreclosure on homes and private property that they can ill afford. Notably, in an effort to support small business development, the Development Finance Corporation of Belize (DFC) has launched the "Empowered Business Loan" program, which allows greater flexibility in collateral and reduced interest rates for borrowers, in line with a supportive project-based risk rating approach.<sup>11</sup> However, MSME friendly financial products are still scarce across the financial sector in Belize.

**Cross-cutting Challenge 6: Low level of innovation.** In the innovation pillar of the World Economic Forum's (WEF) Global Competitiveness Index for 2011-12, Belize was ranked 135th globally (out of 142 countries). Private sector led research and development (R&D) in Belize is limited almost exclusively to the agricultural and tourism sectors.<sup>12</sup> Industries known to attract innovators and startups - such as retail, logistics, education, and financial technology - lag behind in terms of technological integration. On the innovation supply side, the lack of accredited universities in Belize forces young people to travel abroad for undergraduate and graduate studies with many opting to stay abroad due to a lack of opportunities at home.

#### At the Entrepreneur Level - Consumer and Business Culture

- **The elusive Belizean consumer.** There is little to no data on consumer opinion and preferences. There is no data collection on consumer opinion, preferences and trends in the country that would support MSMEs in identifying business opportunities. The lack of actionable consumer intelligence also inhibits innovation and drives consumers towards imported goods and services to meet demand.
- **The struggle to buy local.** Consumer demand in Belize continues to be met primarily by imports. For some types of goods, there are no domestic options, especially for manufactured and processed goods. The country remains a net importer, importing more than US \$1.12B worth of goods in 2019 - roughly 57% of GDP at the time.
- **Grappling with demographic change.** Belizean consumers are getting younger and younger and their tastes are molded by external media and social media - more than half of all Belizeans are younger than 24 years of age. Young consumers tend to be better educated,

6 Source: International Labor Office, Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19 (2020), Geneva: ILO.

7 Note: The minimum wage rate in Belize is BZ \$3.30/ hr (US \$1.65/hr).

8 Source: Garcia, Novelo and Vellos, The Evolution of the Financial Sector in Belize (1996-2007), p. 27.

9 Excess liquidity as reported by domestic banks and credit unions. Source: Regulated Institution Financials. Central Bank of Belize. As of 31 June 2021.

10 Source: Compete Caribbean. 2014. Belize Private Sector Assessment.

11 Source: Stakeholder Validation Workshop held on 28 January 2022.

12 Source: Ibid.

more technologically savvy, highly mobile, and more focused on the experiences that brands can provide through their products and services.

- **Pervasive informality.** Results reveal that MSMEs are likely to do business under a registered trade name but tax compliance varies across enterprise types. Most micro enterprises (57.2%) are not registered for corporate tax.
- **The undervalued 50%.** Women make up 50% of the Belizean population, yet women are underrepresented in small and medium enterprises. SEIA results indicate that 84.5% of business owners are micro enterprise owners and 11.5% are small enterprise owners. Most micro enterprise owners are women (55.2%) but results reveal that most small and medium enterprises are owned by men, 67.6% and 66.7%, respectively.

#### At the Enterprise Level - Capabilities and Capital

- **Rejected!** More than half of all MSME owners are confident to approach banks for financing yet are unlikely to obtain financing. Only 14.4% of business owners who are confident to approach banks were successful in obtaining financing even though more than half have received some form of training in business and financial management and 80% keep accurate financial records.<sup>13</sup> In addition, only one out of every ten women entrepreneurs is likely to secure bank financing even though women typically have better repayment track records.<sup>14</sup>
- **Living in the past.** Traditional collateral requirements lead to lost opportunities for banks and MSMEs. The reliance by banks on immovable assets such as buildings and property for collateral significantly limits the supply of capital for MSMEs. Initiatives to expand the menu of collateral that banks could accept would allow MSMEs to leverage the resources that they do have - typically movable assets such as automobiles, household goods and work equipment - to access financing.
- **Lots left to be desired.** Formal education also plays a crucial role in the entrepreneurial system and Belize's remains underserved. Investments in recent years have not translated to tangible success in terms of graduation rates and overall performance. Belizean students continue to face limited opportunities at public schools due to fiscal constraints and private schools are out of reach of many. The lack of accredited local universities forces students to travel abroad, with high perceived levels of brain-drain. Though pedagogical approaches may vary, instruction in entrepreneurship revolves around problem solving, iteration, and collaboration skills.
- **Untapped potential.** In spite of structural challenges in education, results show that MSME owners are well educated, with the relative share of MSME owners with at least a tertiary education surpassing the national labor force average.

#### At the Industry Level - Market Structure, Policy Environment, and Research and Innovation

- **It's all about the tertiary sector.** The tertiary sector is the most active sector in terms of MSME participation and women dominate several key industries. Even though the SEIA sample had less female business owners overall, relative to men, female business owners dominate the tertiary sector.
- **Lack of representation.** Primary sector enterprises are likely underrepresented and underserved and greater efforts should be made to enhance inclusivity of primary sector entrepreneurs and businesses.

13 Note: Survey results indicate that demand issues might be overstated (i.e., that MSME borrowers do not meet requirements). Although corporate loan requirements vary across institutions, core requirements include accurate and up-to-date financial records, business registration and trade licenses - if applicable). Across all respondents, 73% reported keeping accurate financial and business records; 73% are registered businesses; and 51% have received some form of training in business and/ or financial management.

14 Source: Stakeholder Validation Workshop. 28 January 2022.

- **Lack of innovation.** Innovation in Belize is significantly limited due to the lack of capabilities and the lack of incubating institutions that typically foster innovation in other countries.
- **Duplication of efforts.** Belize continues to suffer from poor policy coordination, with government ministries and agencies used to operating in silos without engaging with the private sector and other stakeholders. There is significant duplication of efforts and policy overlap and a weak track record of implementation.

#### At the National Level - Financial Market, Infrastructure, and Labor and Employment

- **Underdeveloped financial market.** Equity and risk financing is nonexistent which supports the traditional owner-manager model and inhibits institutionalization. With no capital market and opportunity for equity and risk financing, MSMEs lack the incentive to transition to more accountable forms of incorporation and to prioritize good governance and effective management.
- **Logistical challenges.** In Belize, postal service coverage is confined to urban areas and logistics suffer from a lack of standardization of postal addresses. Overland freight services are unreliable and poorly suited to meet consumer expectations. As alternatives to the national postal service, local couriers and overland freight service providers (e.g. Belize Package and Mail Service (BPMS)) facilitate the delivery of goods across the country but unreliable and costly service (some providers only offer two delivery times per day), leads to lost opportunities for MSMEs and consumers.
- **Limited e-commerce capabilities.** E-commerce and digital infrastructure continues to disappoint. Outside of social media platforms that help vendors and entrepreneurs connect with customers, dedicated e-commerce sites and services are few and far in between. Belizean MSMEs do not have access to a central e-commerce platform (e.g. Amazon) to sell their products and business websites are not routinely developed due to a lack of technical capacity and high costs when outsourcing.
- **Recruitment challenges.** Largely unskilled labor force inhibits innovation and growth by MSMEs. Only 21% of the national population has fully or partially completed a tertiary education. The lack of a skilled workforce means that innovation is jeopardized and MSMEs are constrained.
- **Too much red-tape.** Restrictions on foreign skilled labor inhibit the transfer of knowledge and skills. In addition to visa and work permits, all indications are that the process is slow and cumbersome. There are no special provisions for highly skilled foreign labor as a method of transferring knowledge (e.g. H1B visa in the USA).

A critical first step is to define the target population that requires support. To this end, a simple definition was approved that is well adjusted to the specificities of the Belizean marketplace. Namely, the approved definition combines annual turnover and number of employees. Exceeding either dimension would position the MSME subsequent category.

Enterprise type	Headcount (# of employees)	Turnover (annual BZ\$)
Micro	Less than 5 <sup>15</sup>	Less than \$100,000
Small	5 - 20	\$100,000 - \$500,000
Medium	21 - 51	\$500,001 - \$4.5MN

<sup>15</sup> Note: Owner-managers would classify as Micro enterprises under this framework.

Based on the review of the landscape, the gaps between challenges and support initiatives currently in play as well as the global and regional trends, this report proposes a national strategy for Belize’s entrepreneurs and MSMEs defined by the following mission and vision statement.

**Mission: Fostering the creation of a vibrant, competitive, and supportive MSME ecosystem that facilitates entrepreneurship, job creation, scaling, value-added products and services, and exports.**

**Vision: MSMEs as key economic engines for sustainable development through diversification, job creation, and growth.**

The strategy’s main objectives are outlined below.

<b>Growth</b>	The strategy focuses on initiatives that allow micro enterprises to effectively overcome growth hurdles, including access to growth capital, corporatization, and access to markets in order to transition to large enterprises which create jobs and contribute to Belize’s economic growth.
<b>Sustainability</b>	The strategy ensures long-term sustainability of MSMEs beyond their early entrepreneurial stages and original founders, and secure efficient market structures with level playing fields which allow MSMEs to thrive.
<b>Inclusivity</b>	The strategy ensures that the business landscape supports women and entrepreneurs from vulnerable and marginalized groups including youth and indigenous peoples.
<b>Innovation</b>	The strategy aims to support the transition to a higher value-added economy by fostering innovative and creative activities of MSMEs, which create knowledge-based employment opportunities.
<b>Competition</b>	The strategy will lead to the transformation of MSMEs into truly global and agile players with higher productivity and improved resiliency, allowing them to compete effectively in the global economy.

Achieving these objectives rests upon six strategic thrusts, which are essentially portfolios of initiatives and activities. These are namely the following:

<b>Improve access to markets</b>	Key initiatives/ activities include, but are not limited to: Bridging Belizean MSMEs to Large Enterprises and Multinationals, leveraging the Belizean diaspora, and stimulating export readiness and capacity with the ultimate objective of overcoming information asymmetries that prevent MSMEs from participating in global supply and value chains.
<b>Enhance capabilities and innovation</b>	Key initiatives/ activities include, but are not limited to: Assist MSMEs in technology uptake; Expand vocational education programs to meet demand; Assist MSMEs in cleaner production and efficiency; Establish business incubation centers; Provide incentives for employee training; Optimize R&D spending in key areas and industries with the ultimate objective of supporting innovation, greater productivity, and sustainability.

<b>Facilitate access to finance</b>	<p>Encouraging MSMEs to strengthen their capital structures for growth and resiliency and ensuring the availability of adequate sources of funding adapted to MSME needs by: Attracting VC/ PE firms and angel investors, improving access to debt capital, improving access to alternative financing (e.g. crowdfunding) and championing financial inclusion with the objective of supporting financial sector development and creating opportunities for equity capital. Provide 40% earmarks for Microenterprises and 60% earmarks for women on any MSME loans obtained by the Government of Belize.</p>
<b>Develop conducive business environment</b>	<p>A primary focus is reducing the costs of doing business in Belize. Key activities include revising tariff and trade tax regime, tax policy, and streamlining services. Accountability and transparency of government services and regulatory bodies are also essential components of a conducive business climate. The ultimate objective is to support formalization and reduce, as much as possible, barriers to entry across sectors and industries.</p>
<b>Ensure coherence and effective coordination</b>	<p>All reasonable efforts must be made to increase data collection and analysis capabilities. Consumer opinion needs to be defined and key performance indicators for the Belizean MSME ecosystem need to be maintained. The ultimate objective is to minimize the duplication of efforts, support greater resource mobilization, and more effective resource allocation.</p>
<b>Set up the required institutional and governance framework</b>	<p>Successful implementation depends on effective program and project management; communication; and independence and autonomy. Recommendations to support effective implementation include the establishment of a Project Steering Committee with significant representation from the private sector.</p>

Around forty initiatives were identified across the six aforementioned strategic thrusts. These were prioritized based on the ease of implementation and the expected impact. The study concludes with a frank call for action and collaboration by all public and private sector stakeholders to implement the strategy in order to benefit from MSMEs as one of the main drivers of the Belizean economy. A detailed Implementation Action Plan is developed and discussed in Section 4.0.



## 1.0 Introduction

MSMEs are drivers of job creation, innovation, growth, and sustainable development. Approximately 90% of businesses in Belize are Micro, Small or Medium Enterprise (MSMEs) and they provide 50% private sector employment and income.<sup>16</sup> MSMEs in Belize provide employment for women, youth and rural residents and fill service gaps in critical areas such as agriculture, fisheries, creative industries, and professional and technical services.

Despite the significance of entrepreneurship and MSMEs, Belize has been largely unsuccessful in leveraging MSME potential to diversify its economic base, increase exports, and enhance the quality of life for its citizens. Efforts to date have suffered from a lack of coordination between key stakeholders, unnecessary siloing of business development initiatives, and limited buy-in from the private sector. However, this study shows that Belize has the potential to transform its approach towards sustainable development and MSME development through careful planning, collaboration, and the strategic allocation of resources. The country stands to benefit from the effective leveraging of a very well educated network of entrepreneurs, a stable political climate, and increasingly connected global markets.

Given the vulnerabilities exposed by the global health crisis, Belize has the advantageous opportunity to join the global community in fighting for MSMEs and ensuring that entrepreneurs and small businesses receive the support they need to establish themselves and grow into successful enterprises. This strategy document provides a working roadmap for both the private and public sector to ensure the effective coordination of efforts to support and develop Belizean MSMEs and sustainable development.

### Short History on MSMEs in Belize

The significance of the MSME sector in Belize was defined as early as 2001, where the sector's contribution to GDP was estimated at 45% and its share of total employment was estimated at 32%.<sup>17</sup> Ten years later, the sector's contribution to private sector employment was estimated at 70% - more than double the 2001 estimate.<sup>18</sup>

The Belizean MSME sector can be understood in the context of four (4) major waves of economic development: the first wave, defined by an extractive economic model implemented by the British colonial government; the second wave, defined by Belize's transition from a colonial economy to a small open economy; the third wave, defined by globalization and economic diversification; and the fourth wave, characterized by mass tourism and increased migration.

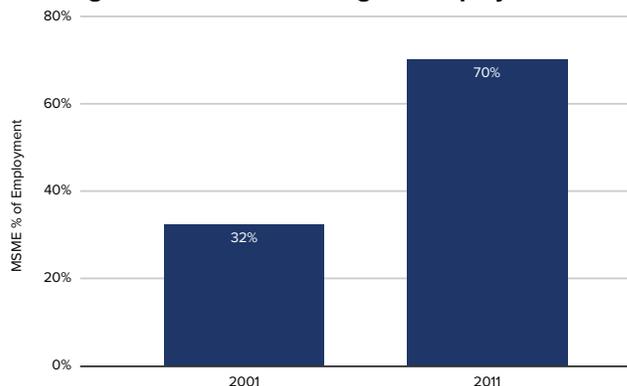
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16 Source: Source: SIB (2016)

17 Source: Wenner, Mark, and Geoffrey Chalmers. 2001. "Microfinance Issues and Challenges in the Anglophone Caribbean," Working Paper. Washington, DC: Inter-American Development Bank.

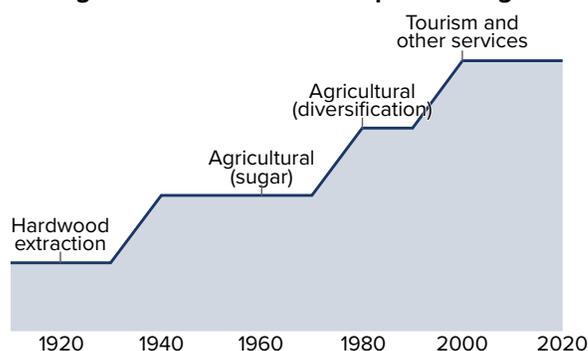
18 Source: BELTRAIDE. 2012. Belize MSME Strategy and Policy Report.

**Figure 1: MSME Percentage of Employment**



**First phase.** Prior to 1985, business activity in Belize was largely unstructured, seasonal, and extractive in nature.<sup>19</sup> Prior to independence, colonial economic policy was centered on the extraction of resources to meet demand in Europe. Extracted resources included logwood (a source of dye), mahogany and other hardwoods, and sugar. Gradually, dyes derived from logwood had been largely replaced by synthetic dyes, and poor forest management led to dangerously low levels of hardwood stock for export leading to increased focus on the agro-sugar industry by the 1930s.<sup>20</sup> This change gave rise to the second phase of industrial activity in Belize.

**Figure 2: Economic Development Stages**



**Second phase.** Investment in the sugar industry led to significant economic growth in the 1960s and 1970s, with sugar accounting for as much as 70% of all export revenues by the mid to late 1970s.<sup>21</sup> MSMEs, as they are understood today, were mainly confined to urban areas such as Belize City, where colonial settlers, emancipated slaves and their descendants, and indigenous people had been slowly integrating into a semi-homogenous creole society by the late 1970s. However, the collapse in global sugar prices in the early 1980s, compounded by adverse trade policy in the US and economic crisis in Mexico, led to an economic crisis that reshaped domestic economic discourse and culminated in the implementation of a standby arrangement with the International Monetary Fund in December of 1984. These developments gave rise to the second wave of MSME development in Belize, defined by the need for diversification and liberalization.<sup>22</sup>

19 Source: Merrill, Tim, ed. 1992. Belize: A country study. Washington: US Government Publishing Office.  
 20 Source: Ibid.  
 21 Source: Ibid.  
 22 Source: Ibid.

**Third phase.** The implementation of the Internal Monetary Fund (IMF) program marked the beginning of a new era of economic policy focused on diversification. Efforts were now focused on attracting investment, both domestic and foreign, and strengthening the country's enabling framework which was necessary to tap into new export markets and exploit non-traditional commodities. Between 1986 and 1990, the Belizean economy grew at an average annual rate of more than 10%, driven in large part by diversification into the banana and citrus industries, and a promising yet underdeveloped tourism industry. Investment friendly policies, such as an economic citizenship program established in 1986, attracted immigrant entrepreneurs, most of them from Hong Kong and Taiwan, giving rise to the ubiquitous family-owned corner shop and a surge in micro enterprise activity.<sup>23</sup> Unfortunately, increased globalization in the 1990s led to the loss of preferential markets for Belizean agro-exports and underscored the need for greater diversification through services and value-added exports. In 1997, the Government of Belize established the Trade and Investment Promotion Service (TIPS) to promote investment and export development by providing technical assistance and business support. At this time, agriculture and light manufacturing were priority sectors, with tourism steadily growing in significance as a national industry. In 1998, the Belize Trade and Investment Development Service (BELTRAIDE) succeeded the TIPS and was charged with executing a revised and expanded mandate which included investment promotion, export and trade promotion, entrepreneurship support, MSME development, and innovation.<sup>24</sup>

**Fourth phase.** The fourth wave of economic development has been defined by the tourism industry and changing demographics. Tourism is a significant driver of Belize's economy, growing by 10% year over year since 2013 and contributing as much as 45% of the GDP, 40% of total employment, and 42% of total exports in Belize in 2019.<sup>25</sup> The tourism industry supports micro and small enterprise activity in food and beverage businesses, entertainment, tour guide and travel related businesses, and construction. The growth of tourism has also coincided with increased migration to Belize from the Central American countries of Guatemala, Honduras, and El Salvador. Belize is an attractive destination for immigrants given its relatively lenient immigration policies and job opportunities in agriculture and construction, with most immigrants satisfying local demand for unskilled labor.<sup>26</sup> Today, immigrant entrepreneurs maintain a significant presence in the fast food and construction industries. During this time, promising developments included pro-MSME programs such as the SME Fiscal Incentives Program under BELTRAIDE and enabling legislation including the Co-operative Societies Act, the Credit Unions Act, Belize Tourism Board Act, the Retired Persons (Incentives ) Act, the Gaming control Act, and the Hotel Accommodations Act.<sup>27</sup>

Even though the Belizean economy has come a long way since the early days of colonial commerce, structural constraints continue to inhibit private sector development. Political context has remained largely unchanged since the 1980s, characterized by partisan social and economic planning, poor public and private sector coordination, and high perceived levels of corruption. High trade tariffs and corporate taxes and a generally unsupportive regulatory environment serve to protect the competitive position of large, established enterprises at the expense of MSMEs and entrepreneurs.

23 Source: Sutherland, Anne. 1998. *The Making of Belize: Globalization in the Margins*. Westport: Bergin & Garvey.

24 Source: Merrill, Tim, ed. 1992. *Belize: A country study*. Washington: US Government Publishing Office.

25 Source: Martin, Lucía. 2020. *Tourism in Belize: options to tax and regulate the home-sharing sector*. Washington, D.C.: IDB.

26 Source: International Organization for Migration. 2017. *Migration in the Caribbean: Current Trends, Opportunities, and Challenges*. San Jose: IOM.

27 Source: Ibid.

## Purpose

A three stepped approach was adopted to develop this strategy. The approach consisted of:

1. **Defining the Belizean entrepreneurial ecosystem.** This was achieved through a wide-reaching fact-finding mission that entailed desktop research, stakeholder consultations, and the development and launch of a Socio-economic Impact Assessment (SEIA) online survey.
2. **Defining priority action items.** Salient obstacles were identified throughout the first phase and used to inform action items. Notable action items include improving access to markets (local and regional), enhancing innovation, and facilitating access to finance.
3. **Designing the solution.** An implementation roadmap was developed identifying key objectives, strategic activities, and collaborators and partners. The success of this strategy depends on extensive coordination and collaboration between the public and private sector.

**Figure 3: Approach to strategy development**



The first section of this document summarizes the key findings from the analysis of the Belizean business climate. The second section summarizes the key findings from the analysis of the Belizean MSME ecosystem. The third section presents a comprehensive strategy with a call for action to address weaknesses identified in the analyses. The strategy lays down a unified vision and a clear set of objectives for MSME development in Belize and the importance of BELTRAIDE as the national MSME champion.

## SEIA

In this section, we provide a brief description of the sample and responses collected during the SEIA. The SEIA, including quality-control, was conducted between October 25 and November 17 2021. A comprehensive listing of MSME units with telephone numbers does not exist in Belize, so a sample was constructed using various sources.<sup>28</sup> The SEIA covered a study area of business owners from all six (6) districts in Belize. A wide range of people with different backgrounds, status and preferences were reached through online surveys and telephone interviews in both English and Spanish. This ensured data was objective toward and reflective of the overall Belizean population. Countries like Australia have used an SEIA to identify adverse impacts that plague their fisheries and other fishing related businesses. They used guides to help aid in the undertaking of the SEIA, which were pooled together with methods and sources, and used to assess the potential impacts their fisheries may endure or encounter.<sup>29</sup>

28 Note: Sources include a small business register provided by BELTRAIDE, membership register provided by BCCI, and individual market research.

29 Source: Socio-economic Impact Assessment Toolkit

The SEIA was divided into six sections: Business Profile, Demographics, Labor, Financial Products, Management and Planning and COVID-19. In total, respondents were asked up to 41 questions.<sup>30</sup> The questions were structured to collect both qualitative and quantitative data on the impacts of Covid-19 on Micro, Small and Medium Enterprises (MSME). MSME definitions can vary across countries, with some classification systems relying solely on the number of employees, while others include additional criteria such as annual sales and asset turnover. For the purposes of the SEIA, PPF used the number of full-time employees and annual sales as classifying criteria. In 2016, the Statistical Institute of Belize (SIB) conducted a business establishment survey. The results indicated that roughly 67% of all establishments in Belize were micro-enterprises. Small and medium enterprises accounted for 20% and 6%, respectively. The SEIA sample size was modeled based on the total number of MSMEs identified in the SIB's 2016 survey: 7,416. Key aspects of the SEIA research design are seen below.

### KEY HIGHLIGHTS OF THE SEIA

#### Impact on business operations



16% of firms remain closed due to the pandemic



44% of firms saw revenues fall by more than 50% due to the pandemic



The average drop in revenue was 60%



52% of firms had to cut staff



59% of firms face liquidity problems due to the pandemic



30% of firms either can't meet costs beyond 30 days or are unsure that they can

#### Responses to the shock



46% of firms started or increased use of digital platforms (e.g., Facebook, Instagram, etc.)



Small and medium enterprises are more likely to adopt technology than micro enterprises

#### Business owners



52% of all MSME owners are women



72% of MSMEs do business in the tertiary sector

#### Required policy support



Cash transfers, access to new credit, and more affordable lending are the top-3 most preferred support policies for MSMEs



MSME support only reached 28% of firms



44% of firms that did not access support were not aware it was available

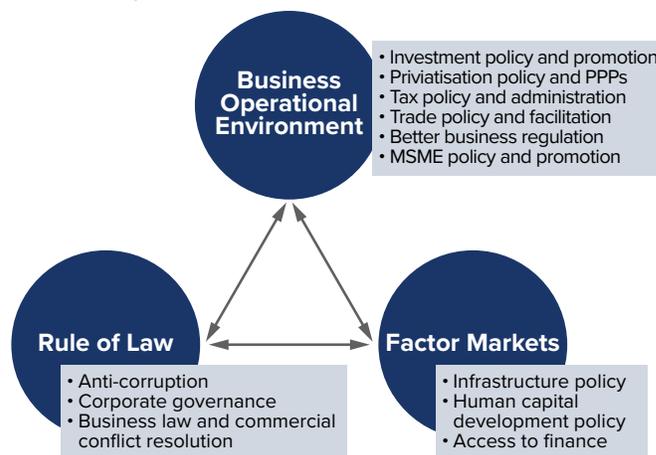
<sup>30</sup> Note: Skip-logic was embedded into the survey instrument via the KoBoToolbox platform. This allowed for an enhanced and streamlined respondent experience. Based on certain responses, respondents were redirected to certain questions.

## Framework Definitions

### BUSINESS CLIMATE ASSESSMENT

Private-sector led economic development strategies are essential to guaranteeing sustainable growth and long-term job creation.<sup>31</sup> Public institutions play a key moderating role, ensuring that markets are efficient though permissive but careful oversight. The entrepreneurial ecosystem depends on input and oversight from several public institutions with varying objectives and is impacted by policy decisions within the key dimensions outlined below.

**Figure 4: Business Climate Dimensions**



A rapid business climate assessment was conducted to identify the strengths and weaknesses of the Belizean business environment. The assessment measures performance in each of the dimensions by rating 15 to 25 indicators per dimension that measure a particular aspect of business climate policy.

### MSME ECOSYSTEM ASSESSMENT

MSMEs operate in a complex ecosystem that relies on the input from several actors. For the purposes of this analysis, the analytical framework rests on four key pillars: the Entrepreneur, Enterprise, Industry and National level. Each level is interrelated and collectively they define the playing field for entrepreneurship and the growth potential of MSMEs.

At the Entrepreneur level, culture is of primary importance. In this assessment, key characteristics of consumers and entrepreneurs were distilled to assess the demand and supply side of entrepreneurship. Consumers are the primary building block of commerce - consumer demand signals opportunities to entrepreneurs and holds them accountable. Entrepreneurs meet consumer demands by assuming risk taking and consistently innovating.

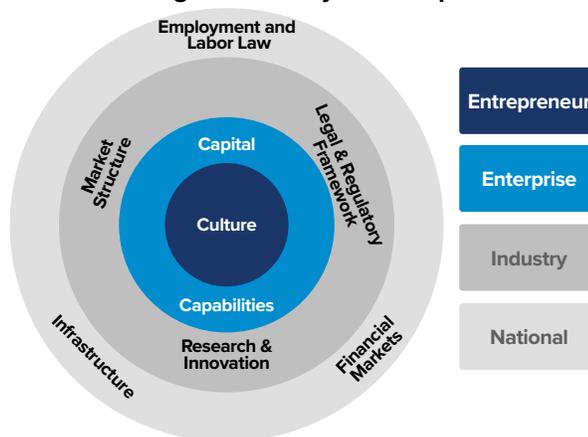
At the Enterprise level, the availability of capital and capabilities within the ecosystem are important drivers of growth and innovation. A country's educational system, inclusive of its professional and continuing education support services, helps mold current and future entrepreneurs. In terms of capital, the access and depth of financing defines the set of opportunities that entrepreneurs can reasonably exploit.

31 Source: OECD Egypt Business Climate Assessment (2010)

At the Industry/Sector level, there are three main elements: Market Structure, Research & Innovation, and the Legal & Regulatory Framework. Market structures speak to the potential for MSMEs to access local and regional markets and the general competitive landscape - the growth potential of MSMEs hinges on a level playing field. In terms of the Legal and Regulatory Framework, the nature of the competitive landscape is governed by general and industry-specific regulations that facilitate contract enforcement, transfer of property and equity and risk sharing.

At the National level, Employment and Labor law, Financial Markets, and Infrastructure are key inputs for businesses in general. Employment and Labor law can be restrictive, making it difficult to recruit and retain staff, or flexible, allowing for the efficient allocation of human resources. The breadth and depth of financial markets was assessed to gauge alternative financing available for MSMEs. Finally, infrastructure including energy, transportation networks, and ICTs support entrepreneurship and economic growth.

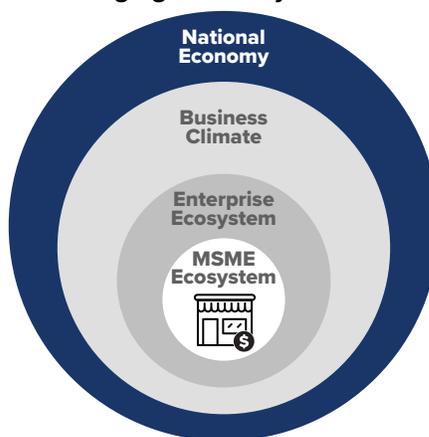
**Figure 5: Ecosystem Map<sup>32</sup>**



### MERGING THE FRAMEWORKS

The general business climate speaks to the key dimensions that all consumers and businesses rely on to transact fairly, openly, and safely. The MSME ecosystem outlines the support system in place for the benefit of entrepreneurs and small businesses.

**Figure 6: Merging the Analytical Frameworks**



32 Source: Adopted from Lebanon SME Strategy: A roadmap to 2020. (2014)

## MSME Definition

A standard definition for MSMEs is an important component in developing a national strategy and facilitates the following:

- Statistical data analysis of the country's economic structure
- Directing and focusing resources in specific industries
- Designing tailored financial and other incentive programs
- Defining thresholds for regulatory, administrative, and fiscal support
- Provision of quotas for government contracts and procurement

MSME definitions vary considerably by countries. Traditionally, MSME definitions have been set by using the number of employees as a key indicator. Over time, countries have complemented the number of employees with financial indicators such as turnover, sales, and assets. For instance, the European Union uses a combination of headcount and either annual turnover or assets. On the other hand, the United States has adopted a nuanced approach that takes into account a small business's industry to determine turnover thresholds.

A standard definition for Belizean MSMEs was first developed in 2006 based on data gathered in consultations with industry representatives.<sup>33</sup> In 2012, the original indicator thresholds were revised and the definition was also expanded to include space dedicated to manufacturing.

**Figure 7: History of MSME definitions in Belize**

2006 Definition			
Indicator	Micro	Small	Medium
Headcount	1-10	11-20	21-50
Investment	Up to BZ \$15,000	Up to BZ \$50,000	Up to BZ \$150,000
Sales	Up to BZ \$50,000	Up to BZ \$100,000	Up to BZ \$300,000

↓

2012 Definition			
Indicator	Micro	Small	Medium
Headcount	Less than 5	5-19	20-50
Investment	Up to BZ \$50,000	Up to BZ \$150,000	Up to BZ \$500,000
Sales	Up to BZ \$100,000	Up to BZ \$500,000	Up to BZ \$1.5MN
Manufacturing space	n.a	Up to 4004 sq.ft.	Up to 5995 sq.ft.

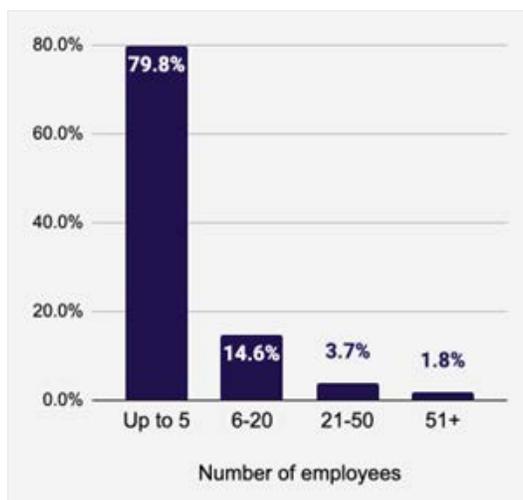
## Approved MSME Definition

In developing the MSME definition for Belize, a simplified approach was favored to account for the following confounding factors:

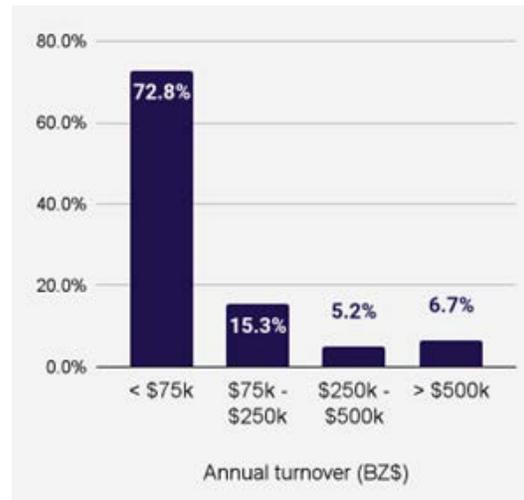
- Underreporting of employees and/or financials implies a combination of both may provide stronger definition than a single measure
- Availability of coherent, comprehensive historical data on MSMEs is limited in order to tailor thresholds by industry
- A simplified definition is easily verifiable and easily understood by both MSMEs and policymakers
- Accurate financial statements may not be easily available for MSMEs to use asset based data

33 Source: National Micro, Small and Medium Enterprise Policy for Belize (2006). Mega Consultancy Pvt. Ltd. Belize City, Belize. Revised in 2008 by Launchpad Consulting.

Enterprises by employee headcount



Enterprises by annual turnover



As such, a simple approach to define MSMEs based on annual turnover and number of employees is proposed. It is also recommended to review the validity of thresholds set in this definition every three (3) years in order to ensure it still serves the purpose for which they were set. From an annual turnover perspective, the recommended thresholds for Micro, Small and Medium Sized enterprises are BZ\$100,000, BZ \$500,000 and BZ\$4,500,000, respectively.

**Table 1: Proposed MSME Classification** <sup>34</sup>

Enterprise type	Headcount (# of employees)	Turnover (annual BZ\$)
Micro	Less than 5	Less than \$100,000
Small	5 - 20	\$100,000 - \$500,000
Medium	21 - 51	\$500,001 - \$4.5MN

The indicator that identifies a company in the larger size of category of enterprises will be the determining indicator on whether an enterprise is micro, small, or medium size.

For example, for a business to not fall within 2 enterprise types, it would be deemed as the higher classification if it satisfies the definition of more than one. For example, if it has 4 employees but \$1million in annual sales, it would be treated as a medium size enterprise.

<sup>34</sup> Note: Approba of the proposed classification framework would require an amendment to Section 2, Subsection 2, of the BELTRAIDE Act.



## 2.0 Belizean Business Climate

The term “business climate” generally refers to the perceived hospitality to the needs and desires of businesses located in a particular jurisdiction. Business climate differs by country and also by across regions within countries. Governments strive to foster business climates that will attract investment and incentivize consumption in order to attract or foster new firms and the jobs they provide. It depends on the input from several actors, especially the attitude of the government and lending institutions towards business activity. The private sector keeps close tabs on factors such as the tax rate, inflation, and the attitude of labor unions towards employers. The summary and detailed findings that follow were developed using the Organization for Economic Co-operation and Development (OECD) Business Climate Assessment framework.

### Investment policy and promotion (IPP)

Investment promotion has long been a top priority for Belize given its narrow resource base and attractiveness as a tourist destination. Belize’s regionally high per capita GDP, political and currency stability, and bilingual population do provide some investment opportunities. In a post-COVID-19 recovery, it is expected that opportunities will remain in export diversification of agricultural goods, business outsourcing services, and investments in the tourism sector. Making it easier for investors, both local and international, to invest in Belize and Belizean companies, which include MSMEs, is an important step in supporting MSME development. Despite positive developments, there remain several barriers to maximizing Belize’s investment potential. FDI in 2019 was estimated at only 4.7% of GDP.<sup>35</sup> The most salient challenges are listed below.

#### ACHIEVEMENTS IN IPP

**FDI incentive schemes exist.** The legal framework authorizing and providing investment incentives include: the Fiscal Incentives Act, the Export Processing Zone Act, the Commercial Free Zone Act, the International Business Companies Act, the Retired Persons Incentives Act, the Trusts Act, the Offshore Banking Act, and the Gaming Control Act. A number of incentives exist to attract investors into particular investment zones including, but not limited to, tourism, agro-processing, business process outsourcing, and light manufacturing.

**Approval and screening procedures are generally clear and transparent.** Foreign investors are not generally subject to discrimination in approval and screening procedures. Approval and screening procedures for local investors are also clear and transparent.

**Recent approval of a draft Public Private Partnership (PPP) policy and creation of PPP Unit.** In late 2021, Cabinet approved a PPP policy and approved creating a PPP Unit to mobilize private sector capital that support large-scale investment, specifically in infrastructure and other development projects that align with government’s policy priorities for public benefit. Through the unit, consultation and communication with the regulators and the business owners can be strengthened and be more efficient to support the entrepreneurial system.

35 Source: World Bank World Development Indicators (2021)

### CHALLENGES IN IPP



**Securing land and property remains a general problem for investors.** Land insecurity is a concern for both local and international investors, with accounts of both types of investors losing title and ownership to legally purchased land.



**Enforcement of standards is ad-hoc and not widespread.** The national standards agency, the Belize Bureau of Standards, is understaffed and lacks the resources needed to enforce standardization in line with international standards. This means that Belizean MSMEs have a hard time attracting investment for seed and maturity stages.



**Dispute settlements are often lengthy processes.** Belize's courts are slow, vulnerable to undue political influence, and dispute resolution can take several years. Belize is not signatory to many international arbitration agreements that can reassure foreign investors that they will be treated fairly.



**Coordination and communication problems still exist with regards to investment promotion.** Investment promotion agencies are not fully successful due to poor coordination with regulatory and oversight bodies. For local investors, it's difficult to access some incentive programs due to difficulties in obtaining the proper permits and clearances and general bureaucratic obstacles. Outreach capacity is also limited and it seems that foreign stakeholders are not regularly consulted when revising investment policy. Consultations are generally ad-hoc and results are not regularly published publicly.

## Tax Policy and Administration

Tax reform is an ongoing process with national taxation policies continuously adapted to changing economic, social and political contexts. But the importance of an accommodating tax regime can not be understated. Business friendly tax regimes help attract investment, support entrepreneurship and risk-taking, and can also help reduce non-compliance. Despite positive improvement over the last few years, Belize still faces many challenges in tax policy and administration.

### ACHIEVEMENTS IN TAX POLICY AND ADMINISTRATION

**Centralized tax authority exists.** The Belize Tax Services Department is the national tax authority and collects income, general sales and corporate taxes levied in Belize. There is a taxpayer registration system and database in place, with taxpayers issued a unique taxpayer identification number (TIN) for income, general sales, and corporate tax collection.

**Growing push for digitization of tax procedures.** As of December 2021, businesses can file and pay taxes online through the IRIS Belize web-portal. Gradual rolling out to individual taxpayers is scheduled for 2022.

### CHALLENGES IN TAX POLICY AND ADMINISTRATION

**Fiscal position and planning needs improvement.** The lack of transparent cost-benefit analysis makes it difficult for business friendly tax alternatives to be established.

**Tax evasion remains high.** A large number of MSMEs are not registered with the Belize Tax Services. Informality in Belize is high and the taxing authority often lacks the resources needed to properly monitor and enforce tax regulation.

**Inflexible corporate tax regime.** Corporate tax is levied on gross revenues with very little provisions for write-offs or subsidies for companies. Detailed analyses have not been carried out to understand the MSME sector in relation to the tax regime. Detailed compliance cost assessment can support greater formalization and reduce non-compliance.

## Trade Policy and Facilitation

Trade policy plays an important role in attracting private sector investment. Effective trade policies can reduce business costs, aid in the transfer of knowledge and technology, and support innovation and entrepreneurship. For Belize, its export position is critical for economic growth and monetary stability since foreign reserves are necessary to maintain support capital exchange controls. Tariffs are relatively high for most categories of goods imported into Belize. The average applied tariff on all products in 2006-11 stood at around 11%, high by the standards of the comparator group of countries. Tariffs are highest on agricultural goods, averaging around 36% in 2006-11, although the average rate declined from about 39% in 2009 to 34% in 2011. The level of protection offered to the manufacturing industry is relatively low, with average tariffs on imports of industrial goods estimated at 8%. It should be noted, however, that under the Fiscal Incentives

Act, some industries, and particularly enterprises in the tourism sector, can import goods duty-free. Challenges in trade policy and facilitation continue to distort the playing field in favor of larger established companies, which are often well-connected.

### ACHIEVEMENTS IN TRADE POLICY AND FACILITATION

**Export promotion agency in place with supportive programs.** ExportBelize, a sub-unit under BELTRAIDE, is tasked with promoting export oriented enterprises within Belize. Its mandate is supported by a clearly defined Designated Processing Area (DPA) program which can exempt enterprises from taxes and import duties in certain industries and regular coordination with business groups such as the Belize Chamber of Commerce and Industry (BCCI).

**Belize is party to key multilateral trade agreements/ facilities.** Besides CARICOM, Belize is a member of the Central American Integration System (SICA) and is also a member of the WTO and adheres to the organization's agreements and reporting system.

**Online payments supported.** The Belize Customs and Excise Department allows customers to pay tariffs and trade taxes online via some domestic banks' online portals.

**Renewed focus on streamlining legislative and regulatory processes.** There is a renewed interest by the government to streamline regulatory processes related to trade. Recent developments include the Belize Electronic Licenses and Permits System (BELAPS) which is a proposed electronic single window platform designed to facilitate business and trade. Through BELAPS, companies or individuals who wish to import and or export goods, can apply for permits or licenses or conduct other business-related activities online.

### CHALLENGES IN TRADE POLICY AND FACILITATION

**Over-dependence on tariff and trade tax revenue.** Belize remains dependent on tariffs and trade taxes for government revenues - in 2019, tariff and trade tax revenue accounted for roughly 18% of government revenue.<sup>36</sup> In addition to tariffs, trade taxes on imports include: (i) an environmental tax, which is applied to all imports with the exception of those from the CARICOM countries, (ii) a revenue replacement duty, and (iii) general sales tax (GST).

**Limited outreach and communication.** There is limited outreach and communication undertaken by the Belize Customs and Excise Department to educate the public on import and export procedures and tariff structures. Applicable import and export fees, tariffs and taxes are presented in a cumbersome way on the department's website and not generally user friendly.

**Import licensing regime is overly protective and not transparent.** Belize's licensing regime, amounting in some cases to outright prohibitions, distorts resource allocation and undermines the transparency of its trade regime.<sup>37</sup> Import licenses have been imposed to protect certain industries but policy restrictions on imports generally increase input costs for domestic producers thereby creating an anti-export bias.

**Lengthy and uncoordinated clearing system.** The process for clearing imports and exports is often lengthy and costly. Brokers must be retained to clear and process imports which adds to the overall costs.

**Sanitary and phyto-sanitary measures are still weak.** Implementation and compliance with international standards have not been effective due to resource constraints affecting the Belize Bureau of Standards. Non-compliance makes it difficult for Belizean enterprises to access external markets.

## Better Business Regulation

Complex requirements or ineffective business regulations can stifle innovation, discourage investment, weaken competitiveness, and compromise economic diversification. Ineffective business regulations can also contribute to gender inequality and informality. Lower legal, regulatory, and procedural burdens for business support economic development by enhancing competition, reducing prices and fostering innovation. As of 2020, Belize ranks 135th in the world in terms of ease of starting a business.

36 Note: Estimated using the weighted average tariff rate on all products (11.2%). Tariff data obtained from the World Bank World Development Indicators (2021). General government revenue data obtained from the IMF's Western Hemisphere Regional Economic Outlook (2021).

37 Source: WTO (2014)

#### ACHIEVEMENTS IN BETTER BUSINESS REGULATION

**Renewed focus on streamlining legislative and regulatory processes.** There is a renewed interest by the government to streamline business regulatory processes including the business registration process. Notable developments include the Belize Electronic Licenses and Permits System (BELAPS) which is promised to allow entrepreneurs to register businesses online.<sup>38</sup>

**No minimum capital requirements.** There are no minimum capital requirements for starting a company in Belize.

#### CHALLENGES IN BETTER BUSINESS REGULATION

**Slow approval procedures still weigh down the business climate.** There continue to be delays in business registration due to slow approval procedures which add uncertainty and costs to start-ups and MSMEs. In Belize, potential business owners must adhere to nine or more business registration procedures, often taking an average of 48 days to successfully meet all requirements.<sup>39</sup>

**No centralized business regulatory authority.** Business regulation procedures are spread out across several regulatory agencies across different parts of the country with poor coordination between them. For example, tax registration is done in Belize City, trade licensing in the municipality within which the business operates, and business name registration is done in the capital city of Belmopan.

## Anti-corruption

Corruption and excessive bureaucracy place a significant economic burden on businesses and prevent them from maximizing their potential. Belize suffers from both grand and petty corruption across government departments and offices.

#### ACHIEVEMENTS IN ANTI-CORRUPTION

**Officialdom acknowledges the urgent need to fight corruption.** Government officials, including the Prime Minister, have acknowledged that fighting corruption is a policy priority. The Ombudsman Act was adopted in 1999 and established the Office of the Ombudsman which is charged with investigating allegations of corruption by government and public officials. In 2007 the Prevention of Corruption Act was established and was the first tangible legislative tool to fight corruption. Building on that legislative framework, the government ratified the United Nations Convention against Corruption (UNCAC) in the first half of 2021.<sup>40</sup>

**Strong enforcement of AML/ CFT standards.** Belize has established a robust legal and regulatory framework to meet AML/ CFT commitments in line with international best-practices and guidelines. Money laundering and the financing of terrorism are criminal offenses under the Money Laundering and Terrorism (Prevention) Act of 2013 and the compliance is governed by a central authority: the Financial Intelligence Unit (FIU).

38 Note: A launch date for BELAPS has not yet been announced.

39 Source: World Bank Ease of Doing Business Report for Belize (2020)

40 Note: Full implementation of the UNCAC has yet to occur.

## CHALLENGES IN ANTI-CORRUPTION

**Belize has limited scope to detect and address corruption.** The law requires public officials to submit annual financial disclosure statements, which the Integrity Commission, established under the Prevention of Corruption Act, reviews. However, the constitution allows authorities to prohibit citizens from questioning the validity of such statements.<sup>41</sup> Only 28% of government members required to declare their assets to the Integrity Commission had done so for the fiscal year 2019-20.<sup>42</sup>

**Limited civil oversight.** There are a limited number of non-governmental institutions that monitor government activities; two of them are Citizens Organized for Liberty through Action (COLA) and the National Trade Union Congress of Belize (NTUCB). The first is composed of concerned private citizens, and the latter is an umbrella organization of the various Belizean workers' unions. Additionally, the Belize Chamber of Commerce and Industry (BCCI) is an officially registered employers' organization under the Trade Union and Employers Organization Act 300 of Belize. The organization is the only active and legally registered umbrella organization for businesses in Belize and lobbies for transparency and accountability in the public sector. However, efforts thus far have been largely ineffective to stymie corruption, which continues to be a major obstacle for investment and business development.<sup>43</sup>

**There still exists excessive red-tape in key government ministries and departments.** Government departments, particularly those administering taxation and customs, lack accountability and transparency due to excessive red tape and undue influence from senior officials. In particular, there is significant anecdotal evidence of bribery and extortion within the customs department.<sup>44</sup>

**Anti-corruption provisions are not regularly enforced.** The legislation in place does not effectively deter corruption and is easily subordinated at the discretion of senior officials which leads to haphazard enforcement. Several allegations against senior government officials have not been brought to court.<sup>45</sup>

## Business Law and Commercial Courts

A country's business law regime can influence investment decisions and allow it to remain competitive in the global economy. Maintaining a clear and transparent business law framework helps reduce risks for investors, MSMEs and entrepreneurs.

41 Source: US Department of State (2021)

42 Source: Ibid.

43 Source: Ibid.

44 Source: Plus News (2021)

45 Source: US Department of State (2021)

#### ACHIEVEMENTS IN BUSINESS LAW AND COMMERCIAL COURTS

Legal framework supporting contract enforcement. Belize follows the English Common Law legal system which is based on established case law. Contracts are legally enforced through the courts and the Caribbean Court of Justice (CCJ) serves as the final appellate court on civil and criminal matters. Belize has a written Contract Act which is supported by precedents from the national courts as well as from the wider English speaking and Commonwealth case law.

#### CHALLENGES IN BUSINESS LAW AND COMMERCIAL COURTS

**There are no competition or anti-trust laws in place.** Belize does not have any particular laws governing competition. However, tariffs and other import restrictions are used to limit outside competition in certain industries (such as food and agriculture). In addition, there is anecdotal evidence that certain large enterprises have undue and unfair influence on the issuance of import and export permits.

**The land titling process reduces investor security.** The process to land title is flawed and there are cases of private as well as government manipulation of land title involving foreigners and Belizeans.<sup>46</sup> The process of modernizing of the national cadastre and land titling system has begun but remains at a nascent stage.

**There is no comprehensive business law review process.** There is no business law reform strategy outlining priorities, review periods and consultation procedures.

## Infrastructure

Infrastructure is a critical component of sustainable economic growth. The transition from factor-driven development to investment-driven development requires significant investment in infrastructure such as telecommunications, road and maritime transport links, energy production and transmission, and safe water and sanitation.

#### ACHIEVEMENTS IN INFRASTRUCTURE

Widely available provision of basic infrastructure. Basic infrastructure is widely accessible. Electricity and water is widely available, covering 92% and 98% of the total population, respectively. Information and Communication Technologies (ICT) solutions are also widely available - more than 98% of the population have access to 3G coverage. The national road network connects all major municipalities. These achievements are an important component in manufacturers' processes for finished products and services which helps overall production.

<sup>46</sup> Source: Ibid.

Competitive fixed and mobile broadband connectivity rates. Despite its limited consumer base, rates for internet access in Belize are incredibly competitive. Belize is ranked in the top-30 countries for postpaid voice and data plans and is in the top-60 in terms of prepaid voice and data plans.<sup>47</sup> In terms of fixed connectivity, Belize ranks in the top-20 globally.<sup>48</sup>

#### CHALLENGES IN INFRASTRUCTURE

ICT accessibility is limited in some areas. ICT accessibility is limited in some rural areas of the country, particularly in the south in terms of internet access, which has made it difficult for some students to access virtual educational resources during school closures because of the pandemic. Lack of access in these areas places rural businesses at a disadvantage relative to urban ones.

Electricity prices are generally high. The commercial electricity rate in Belize is approximately US \$0.19, which places it among the 75-th percentile globally.<sup>49</sup> Part of the reason for high rates is the country's dependence on purchased power from Mexico, which currently accounts for 35% of all power sold in the country. Greater expansion of renewable energy production capacity may help reduce energy costs.

Lack of time-of-use billing regime inhibits productivity. The national electricity distribution company, the Belize Electricity Limited (BEL), does not offer time-of-use billing which would allow businesses to take advantage of off-peak rates to lower costs, particularly in the manufacturing industries.

Fuel prices are some of the highest in the world. The government's fiscal dependence on fuel taxes has led to Belize to have some of the highest fuel prices in the world. As of writing, a gallon of 95-octane fuel costs US \$6.22, 1.4 times more than the global average of US \$4.58.<sup>50</sup>

## Human Capital

A country's human capital is a key component of sustainable development both as a factor of production and conduit for better business policy.

47 Note: Data refers to a high-usage data and voice basket with a monthly allowance of 140 minutes, 70 SMS and 1.5 GB. Postpaid and prepaid plan costs are calculated as a percentage of GNI. Comparisons are made using the ITU Price Baskets Database. Source: ITU (2019). Accessed at: <https://www.itu.int/net4/ITU-D/ipb/>

48 Note: Fixed (wired)-broadband monthly subscription charges refer to the monthly subscription charges for fixed (wired)-broadband Internet service in USD. Fixed (wired)-broadband is considered to be any dedicated connection to the Internet at downstream speeds equal to or greater than 256 kbit/s. If several offers are available, preference should be given to the 256 kbit/s connection. Comparisons are made using the 2021 Inclusive Internet Index published by The Economist. Source: The Economist (2020). Accessed at: <https://theinclusiveinternet.eiu.com>

49 Source: Global Petrol Prices (2021)

50 Source: Ibid.

**ACHIEVEMENTS IN HUMAN CAPITAL**

Public-private collaboration has expanded access to high-quality education. Private-public sector collaboration has facilitated access for thousands of students to high quality secondary institutions. Through the Ministry of Education, tuition fees for attending prestigious secondary schools are subsidized by the government. This has allowed students from across the country and income classes to afford enrollment at traditionally successful schools such as St. John's College, Pallotti High School, and Saint Catherine Academy in Belize City; Sacred Heart College in Cayo; and Muffles College in Orange Walk. These schools are managed by independent boards of trustees and are typically better managed and staffed.

**CHALLENGES IN HUMAN CAPITAL**

Lack of overarching skills development strategy. The lack of a national skills development strategy leads to an uncoordinated and fragmented approach to developing human capital. Despite the ITVET system, there is no clear, well designed plan to determine areas of projected vocational development to be able to support integration in global and regional supply and value chains. There is no national apprenticeship program that can help match students and graduates with employers. Apprenticeships are secured on an ad-hoc basis.

Lack of national strategy to recruit and retain high-quality teachers and instructors. Red-tape and outdated policies make it difficult for schools to recruit and retain high quality teachers and instructors. The licensing requirements for secondary and ITVET schools make it difficult for private sector participation in instruction. A 2013 Teacher Quality study found that one in every ten primary school teachers scored an unsatisfactory grade (D and F grades) on the PSE.<sup>51</sup>

Vocational education and training takes second place to general secondary education. Vocational education and training is often perceived as a Plan B to secondary school education and not as a viable alternative.

Lack of focus on STEM and innovation. There are no recognizable innovation incubators or accelerators in the country. In addition, STEM program offerings differ greatly between public and private schools, with most public schools lacking the resources needed to establish productive STEM programs.

**Access to Finance**

An inclusive and comprehensive financial services sector supports innovation and economic growth and development. Affordable access to finance is important for individuals and businesses supporting social mobility and business growth, respectively.

51 Note: PSE stands for Primary School Examinations. Source: Näslund-Hadley, Emma. Challenges and Opportunities in the Belize Education Sector (2013). IDB.

#### ACHIEVEMENTS IN ACCESS TO FINANCE

Recently developed financial inclusion strategy. In 2018, the Central Bank of Belize conducted a financial inclusion survey which informed the development of Belize's first Financial INclusion Strategy. The drafting of the strategy was critical in identifying some of the structural constraints that both borrowers and lenders face.

#### CHALLENGES IN ACCESS TO FINANCE

No credit information collection agency. There is no credit information bureau in Belize that collects and maintains information on creditworthiness for individuals or businesses. The lack of up-to-date credit information makes it more difficult for lenders to accurately assess risk and leads to greater risk-aversion which impacts MSMEs and small borrowers.

Significant issues remain regarding collateral. There is no collateral registry in the country that would allow for registration of movable and immovable assets to be used as security for loans. Lending institutions lean towards collateralizing fixed assets such as buildings and properties which makes it difficult for MSMEs, and especially women and youth entrepreneurs, to access financing. The preference for fixed asset collateralization also makes MSMEs and small businesses incredibly vulnerable to business shocks.

Credit guarantee schemes do not exist. There is no strategy for the development and establishment of credit guarantees for MSMEs that would allow lenders to provide more financing to the sector. There is some collaboration with multilateral institutions to provide MSME lending through domestic institutions but these partnerships are typically ad-hoc and limited in total ticket size.

Risk capital environment is underdeveloped. There is very little to no risk capital capacity within the country. Belize does not have a stock market and securing alternative funding, apart from debt capital, is difficult, especially for early stage enterprises.





## 3.0 MSME Ecosystem

### Entrepreneur Level

The Entrepreneur Level focuses on the two parties that any economy needs to generate returns: consumers and entrepreneurs. Consumers create demand and entrepreneurs supply those demands.

#### CONSUMER CULTURE

Consumer Culture focuses on the spending decisions of consumers on material goods to attain and maintain a particular standard of living or lifestyle. Consumers allocate their incomes based on needs and wants. Aggregate consumer preferences direct economic activity, innovation, and entrepreneurship and provide the most basic incentive for entrepreneurial activity. Belizean entrepreneurs are often constrained by the lack of economies of scale locally, a small and generally low income consumer base, and a significant local reliance on imported goods and services.

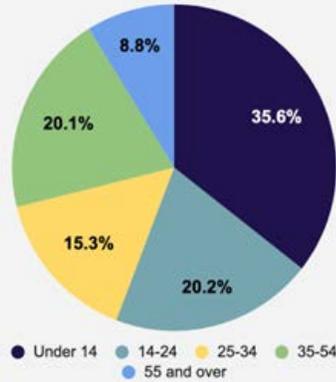
**There is little to no data on consumer opinion and preferences.** There is no data collection on consumer opinion, preferences and trends in the country that would support MSMEs in identifying business opportunities. The lack of actionable consumer intelligence also inhibits innovation and drives consumers towards imported goods and services to meet demand.

**Consumer demand is primarily met by imports.** For some types of goods, there are no domestic options, especially for manufactured and processed goods. The country remains a net importer, importing more than US \$1.12B worth of goods in 2019 - roughly 57% of GDP at the time. Total exports of goods and services in 2019 amounted to less than US \$320M - a net trade deficit of roughly US \$800M. Consumption patterns in Belize are also likely influenced by migratory patterns with greater diversity of tastes and interests among Belizeans who travel.<sup>52</sup> A large Belizean diaspora, primarily residing in the US, also influences consumption in Belize.

**The Belizean consumer base is young and diverse with varied tastes.** Belizean consumers are getting younger and younger and their tastes are molded by external media and social media - more than half of all Belizeans are younger than 24 years of age. Young consumers tend to be better educated, more technologically savvy, highly mobile, and more focused on the experiences that brands can provide through their products and services. The multicultural diversity in Belize shapes demand and requires entrepreneurs to be strategic in their vision and values to capture a greater share of the consumer base.

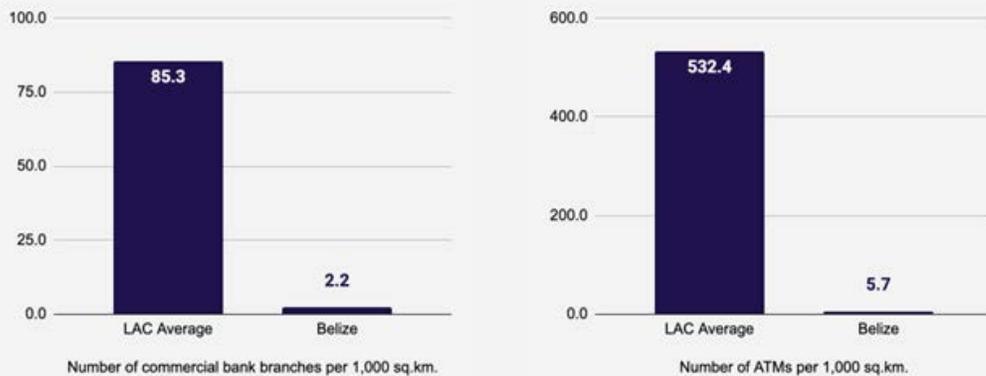
52 Source: Babcock, Elizabeth C., and Richard R. Wilk. 1997. "International travel and consumer preferences among secondary school students in Belize, Central America." *Caribbean Geography* 8 (1): 32-45.

**Age distribution, national population (2021 mid-censal estimates)**



**Belizean consumers are well connected but e-commerce opportunities are limited.** With as much as 70% of the population owning a smartphone and having access to fixed internet connection or mobile data, Belize ranks well in terms of access to ICTs.<sup>53</sup> The widespread use of communication technologies has given rise to several commerce and business centered communities online on platforms such as Facebook, Instagram, and Twitter. Belizean consumers use these platforms to connect with other consumers, entrepreneurs, and businesses to transact and share information. Despite the widespread use of technology, e-commerce in Belize is limited. There are very few dedicated e-commerce platforms, and the existing ones are limited by a general lack of supportive infrastructure.

**Lack of financial inclusion continues to marginalize consumers.** Roughly 34% of the Belizean population does not have a bank account and fees and costs for facilitating cashless transactions are prohibitive for MSMEs.<sup>54</sup> For example, Card-Not-Present (CNP)<sup>55</sup> transactions are not supported in Belize at the moment, robbing existing and potential e-commerce platforms of much of the convenience that users are likely to seek out.



53 Source: GSMA (2021)

54 Source: National Financial Inclusion Survey (2019)

55 Note: A card-not-present (CNP) transaction occurs when neither the cardholder nor the debit/ credit card is physically present at the time of the transaction. It's most common for orders that happen remotely - over the phone or by fax, internet, or mail.

**Average purchasing power is low.** Belize is an upper-middle income country with a per capita income of US \$6,132 in 2020, one of the lowest in Central America and the Caribbean. Poverty in Belize is high, with some estimates indicating that more than 60% of the population lives below the poverty line. On average, Belizean households spend BZ \$26 out of every BZ \$100 on housing, water, electricity, and butane; \$20 out of every \$100 goes to pay for food; while \$14 out of every \$100 is spent on transportation. That leaves a balance of BZ \$40, on average, that is allocated between personal savings and additional consumption. The relative financial inflexibility that most Belizeans face inhibit consumption and economic activity in other commodities. Average monthly incomes within the labor force have decreased by almost 8% between 2018 and 2020 for workers between the ages of 14 and 24.

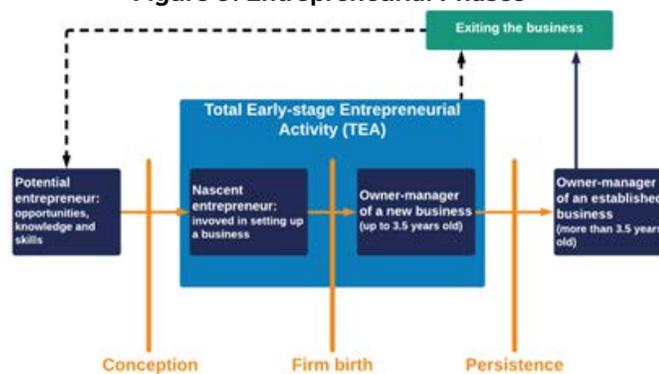
**Monthly Average Income by Age Group**



## BUSINESS CULTURE

The entrepreneurial process passes through different stages, starting with the identification of potential business opportunities, setting up a business to exploit opportunities, growing, and potentially ending in the event of business discontinuation.

**Figure 9: Entrepreneurial Phases** <sup>56</sup>



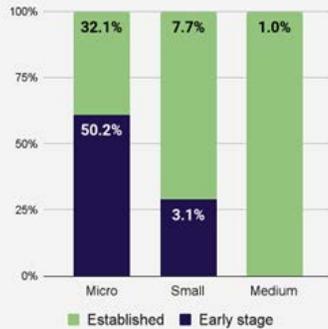
Once opportunities are identified and a strategic decision is made to exploit them, nascent entrepreneurs seek ways to establish their businesses and prepare for growth. Successful nascent entrepreneurs work towards becoming owner-managers of their new business and

56 Source: GEM Belize (2016)

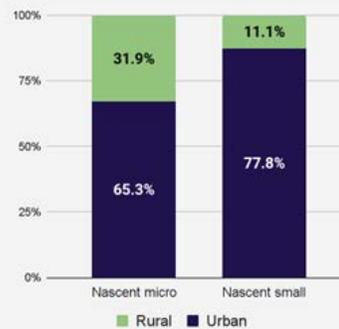
of growing.<sup>57</sup> The entrepreneurial process is continuous, given that not all concepts and opportunities are successful. The fluid nature of entrepreneurship requires that support systems be in place to cater to different business life-cycle phases. For example, nascent entrepreneurs often need technical assistance to develop business and strategic plans to establish a business. On the other hand, owner-managers often need capital to be able to expand and diversify. The entrepreneurial process largely follows the sequence presented below. Key indicators for business culture are presented below.

**Nascent, urban micro enterprises dominate the MSME landscape.** SEIA results reveal that almost half (52.4%) of all MSMEs are early stage enterprises, having been established within the last four years. The average enterprise age is 5.6 years for micro enterprises, 10.6 years for small enterprises, and 20.7 years for medium enterprises.<sup>58</sup> Geographically, the majority of nascent micro and small enterprises are located in urban areas, indicating that a greater focus on urban entrepreneurship will go a long way in supporting overall MSME development.

**Enterprise Stage (% of total)**

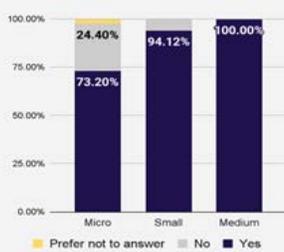


**Nascent Enterprises by Region (%)**

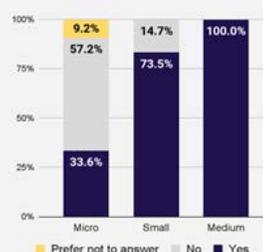


**Micro and small enterprises are more likely to be informal.** Results reveal that MSMEs are likely to do business under a registered trade name but tax compliance varies across enterprise types. Most micro enterprises (57.2%) are not registered for corporate tax, compared with only 14.7% for small enterprises. Medium enterprises are the most likely to be registered for both. This is an encouraging sign but compliance still remains low, only 49% of enterprises reporting being registered for both. Not surprisingly, tax non-compliance is more likely among unregistered enterprises.<sup>59</sup> The results highlight the need to explore the root causes of non-compliance given that business registration does not seem to be a major hurdle.

**Registered Business**



**Registered for Tax Purposes**

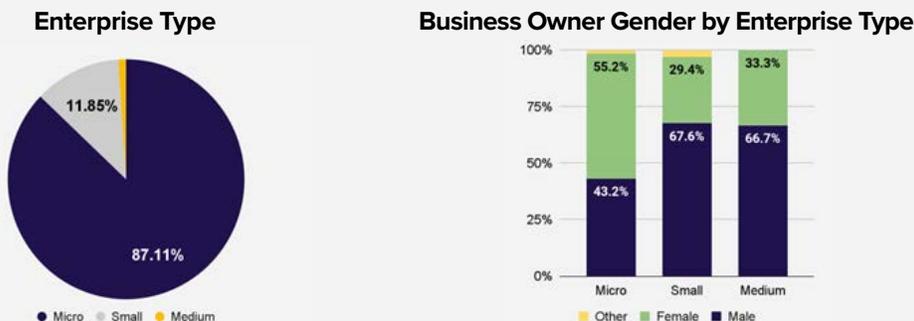


57 Source: GEM (2021)

58 Note: Less than 1% of respondents were medium enterprises.

59 Note: Doing business under a registered business name is a prerequisite for obtaining a corporate tax identification number (TIN). Results indicate that MSMEs may only be paying individual income tax instead of corporate income tax - an issue in its own right.

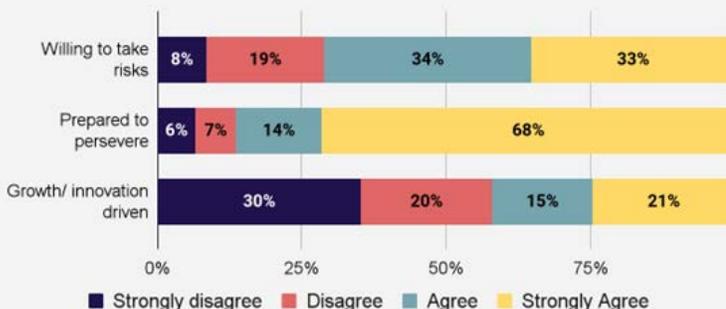
**Women are underrepresented in small and medium enterprises.** SEIA results indicate that 87.11% of business owners are micro enterprise owners and 11.86% are small enterprise owners. Most micro enterprise owners are women (55.2%) but results reveal that most small and medium enterprises are owned by men, 67.6% and 66.7%, respectively.



**Youth MSME owners are underrepresented as well.** The average age of MSME owners is 39.4 years of age with no significant variations according to gender. The average age of a female MSME owner is 38.9 and 39.7 for male business owners. Notably, almost 3% of business owners were 65 years or older, which could indicate that entrepreneurs work well past the retirement age in order to make ends meet - 80% of MSME owners over the age of 65 recorded less than BZ \$25,000 in revenue in 2020.



**MSME owners are innovation and growth driven.** SEIA results show that business owners are in business for the long-term and not afraid of failure. 68% of respondents indicate that they are willing to persevere if business success is not immediate. Approximately two-thirds of respondents are willing to take on business risk in order to generate revenue and about 30% are growth/ innovation driven, meaning that they are not entrepreneurs by necessity but by choice.



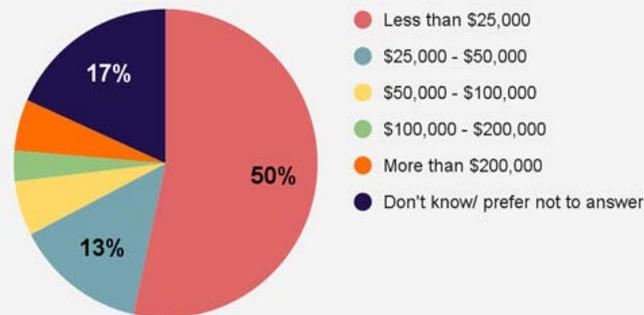
## Enterprise Level

### CAPITAL

The landscape of capital available for MSMEs has evolved very little in Belize. The ecosystem relies primarily on debt financing, with very little risk equity finance options available. Private sector participation through angel or venture capital investment is nonexistent and the traditional owner-manager business model locks potential investors out. The lack of a local capital market makes it difficult to track corporate success and incentivize good institutionalization. Overall, access to debt capital and financial support (grants, government subsidized preferential loans, etc.) is limited. Increasing access to affordable financing is critical for ensuring MSME development and growth. In addition, increasing financial inclusion and promoting the use of financial technology is likely to expand the scope of opportunities for MSMEs to do business in Belize. Increasing access to finance relies on the input from several key stakeholders within the entrepreneurial ecosystem such as the Central Bank of Belize, domestic banks and credit unions, money lending institutions, the government, and multilateral institutions. Strengthening public-private sector cooperation needs to be prioritized to allow for sound, market driven solutions to financing for MSMEs. Key indicators for capital/ access to finance is presented below:

#### Traditional collateral requirements lead to lost opportunities for banks and MSMEs.

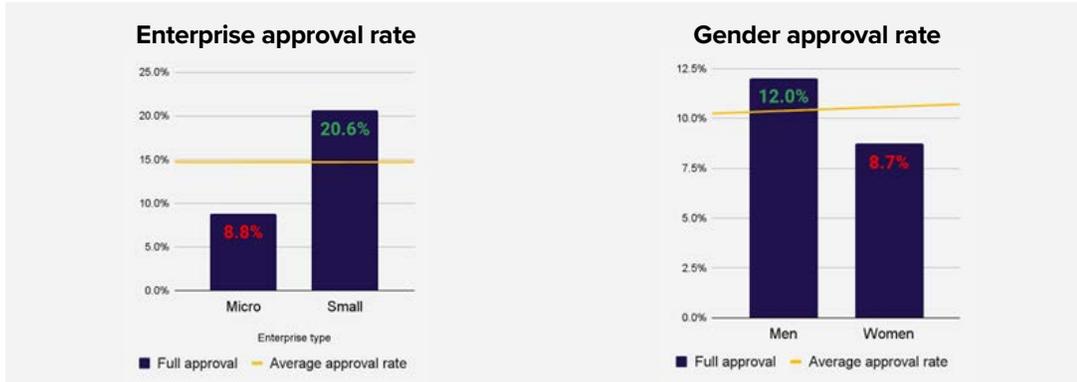
The reliance by banks on immovable assets such as buildings and property for collateral significantly limits the supply of capital for MSMEs. Initiatives to expand the menu of collateral that banks could accept would allow MSMEs to leverage the resources that they do have - typically movable assets such as automobiles, household goods and work equipment - to access financing. Access to physical capital such as machinery is also limited due to high import tariffs and taxes which deter investment by MSMEs.



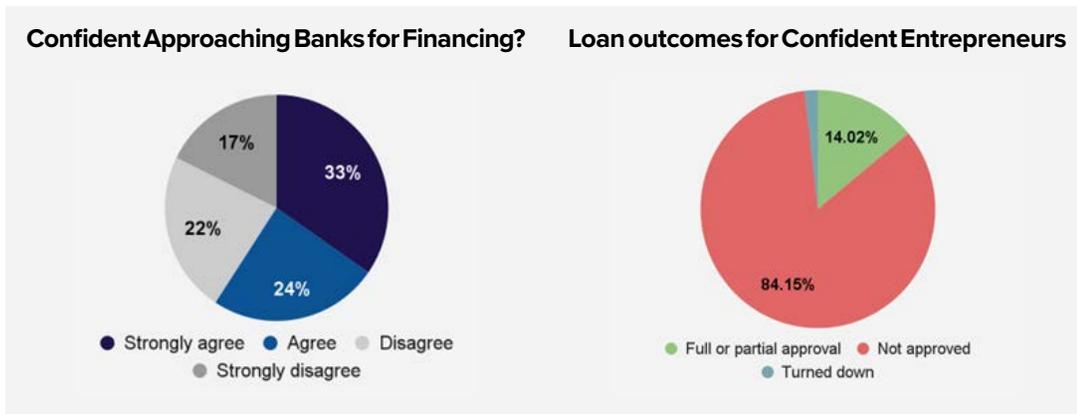
**Data collection on financial support to the MSME sector is scant.** There is no data collected in regards to the actual amount or percentage of loans that go out directly to MSMEs in Belize. Credit Unions seem to provide smaller loans than commercial banks, a possible indication that they are more receptive to financing smaller enterprises. In 2017, the average size of credit unions' commercial loans was BZ \$29,183, compared to BZ \$111,191 for commercial banks.<sup>60</sup> Apart from banks, a combination of government statutory bodies, the Development Finance Corporation, multilateral organizations (e.g. IDB), and non-governmental organizations (NGOs) (e.g. Red Cross) provides some funding for MSMEs. Funding sources in Belize's MSME ecosystem are provided below.

60 Source: Central Bank. 2019. National Financial Inclusion Strategy.

Women and micro enterprises have a harder time securing financing. Results indicate variation in the likelihood of success when applying for loans between enterprise types - micro enterprises are more likely to be rejected relative to other enterprises. More than 20% of small enterprise loan applications were approved compared to about 9% for micro enterprises.



There continues to be a mismatch between the supply and demand of financing. More than half of all MSME owners are confident to approach banks for financing yet are unlikely to obtain financing. Only 14.02% of business owners who are confident to approach banks were successful in obtaining financing even though they are more likely to keep financial records of their finances.<sup>61</sup>



## CAPABILITIES

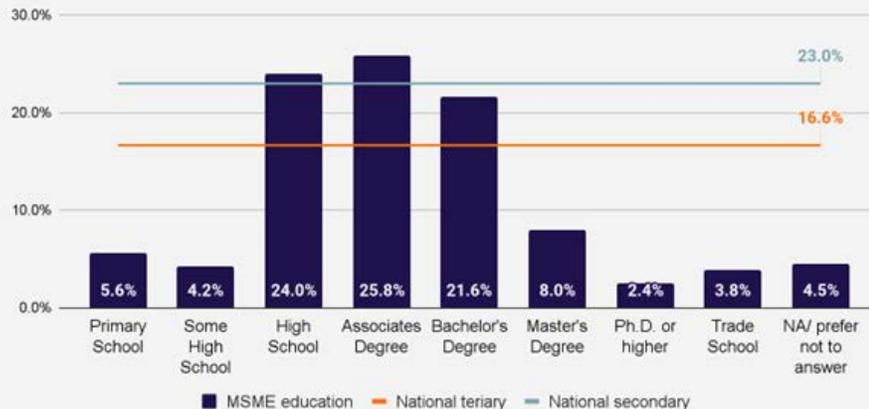
Access to capabilities is a primary determinant of success for any business. The technical capabilities that businesses possess define how and to what extent they can compete in the marketplace. Businesses must earn the “right to win” through careful and strategic recruitment, capacity building, and retention of skilled staff. On the demand side, acquiring the skills needed to compete is a difficult task for large, established companies and an even more difficult task for MSMEs that manage smaller budgets and limited brand equity. On the supply side, Belize has made limited progress in both expanding access and improving the quality of its education

61 80% of all business owners who indicated that they were confident in approaching banks keep digital or written financial records of their financial position.

system in the past 10 years.<sup>62</sup> Participation in tertiary education remains low compared to regional averages, and despite significant investment in technical and vocational education, participation rates remain very low. Data on academic achievement is scant and the general sentiment is that performance is low. Subpar educational outcomes makes it difficult for Belize to retain talent and for entrepreneurs to be able to exploit business opportunities. Low levels of economic complexity, due to a primary focus on agriculture and tourism, leads to low demand for productive knowledge.

**Belize’s formal education system remains underserved.** Formal education also plays a crucial role in the entrepreneurial system and Belize’s remains underserved. Historically, investments have not translated to tangible success in terms of graduation rates and overall performance across the primary, secondary and tertiary school levels.<sup>63</sup> Belizean students continue to face limited opportunities at public schools due to fiscal constraints and private schools are out of reach of many. The lack of accredited local universities forces students to travel abroad, with high perceived levels of brain-drain.

**MSME owners are well educated.** In spite of structural challenges in education, results show that MSME owners are well educated, with the relative share of MSME owners with at least a tertiary education surpassing the national labor force average. Across enterprise types, we see that medium enterprise business owners are more educated, on average, than their peers in micro and small enterprises. At the sector level, 47% of business owners in the primary sector have an associate’s degree or higher which is similar to educational attainment in the secondary sector. Business owners in the tertiary sector are generally better educated than their peers in the primary and secondary sector, with more than 60% of MSME owners having an associate’s degree or higher.



## Industry Level

The way in which local markets are structured, in terms of firm differentiation and the menu of goods and services available is an important component of the MSME ecosystem. Dominant positions and monopoly power can deter market entry and limit entrepreneurship.

62 Source: Ministry of Education (Belize). Education Sector Strategy 2011-2016.

63 Source: Näslund-Hadley, Emma, et al. Challenges and Opportunities in the Belize Education Sector. IDB, 2013, <https://publications.iadb.org/publications>

## MARKET STRUCTURE

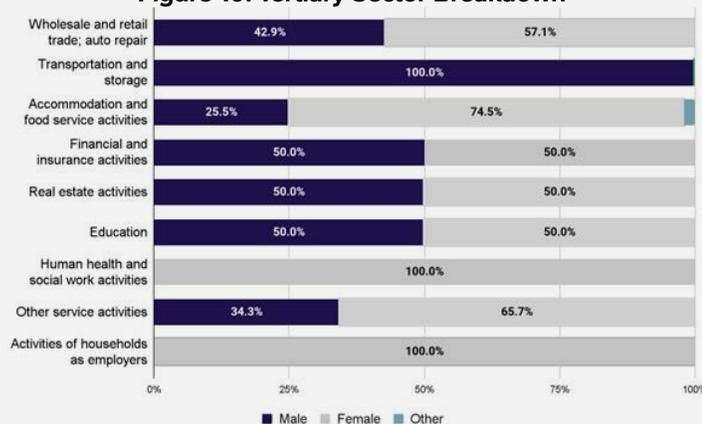
Belize is one of the smallest consumer markets in the Central American and Caribbean region with a population of just under 420 thousand people.<sup>64</sup> A limited consumer base along with generally high costs of inputs crowds out local production of consumer goods and favors importation - imports of goods and services as a share of GDP were 55% in 2020 in Belize.<sup>65</sup> Tertiary industries dominate, largely due to the importance of the tourism sector.

**Primary sector enterprises are likely underrepresented and underserved.** Respondents were asked to identify their main area of business according to International Standard Industrial Classification ISIC broad industry classifications.<sup>66</sup> Only 6.6% of respondents identified that they did business in the primary sector and all respondents indicated that they worked in the agriculture or fisheries industries. However, this is likely an understatement of the number of MSMEs in the primary sector. The low response rate is likely due to the following:

- There are no formal registration requirements for small-scale farmers to be able to produce, market and sell their products. As such, small-scale farmers do not typically conduct business under a registered trade name or from an established location.<sup>67</sup>
- Roughly 76% of respondents who work in the agricultural sector are from rural areas which may limit their access to mobile devices and internet access.<sup>68</sup>

**The tertiary sector is the most active sector in terms of MSME participation and women dominate several key industries.** Even though the SEIA sample had less female business owners overall, relative to men, female business owners dominate the tertiary sector. The tertiary sector supports a wide array of business activities in automotive repair, wholesale and retail of household and consumer goods, transportation services, and accommodation and food service activities, among others. The majority of respondents to the SEIA, 72%, indicated that they did business in the tertiary sector and women business owners dominate the key industries of manufacturing, wholesale and retail, and accommodation and food service activities.

**Figure 10: Tertiary Sector Breakdown**



64 Source: Statistical Institute of Belize (2021)

65 Source: World Development Indicators (2021)

66 Industry classifications used in the SEIA can be found in Annex C. Some categories were consolidated for practical purposes.

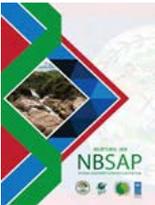
67 Source: Communication with the Ministry of Agriculture.

68 Note: The SEIA was administered via the KoboToolbox platform which allows for offline access and submission. However, at a minimum, entry level smart-phones are needed to access the survey form.

## POLICY ENVIRONMENT

Within the Caribbean, Belize is one of three countries that have Cabinet approved MSME policies in place.<sup>69</sup> In fact, among the Government of Belize's (GOB) priorities is to reduce interest rates, maintain liquidity and increase lending with particular aim to support small and medium enterprises (SMEs)<sup>70</sup>. The Business Climate assessment reveals that there are still a number of institutional and policy-related challenges and gaps that limit the ability of the government to solve coordination issues or address the specific market failings that affect MSMEs' growth and development.

**Table 2: National development Policies/ Strategies**

POLICY/ STRATEGY	DESCRIPTION
	<p><b>Growth and Sustainable Development Strategy</b> - The Growth and Sustainable Development Strategy (GSDS) is a strategic document with a multi-sectoral approach, relating to the period 2016-2019. Flowing from the Horizon 2030 vision, this strategic plan charts the path to a better quality of life for all Belizeans, living now and in the future.</p>
	<p><b>National Determined Contributions (updated 2021)</b> -The targets and actions included in the National Determined Contributions (NDC) reflect relevant policies, strategies and plans in sectors relevant to climate change mitigation and adaptation. They are an extension and application of the focus on climate change in Belize's key development plans, including the Growth and Sustainable Development Strategy. Links to the Sustainable Development Goals are highlighted for each target and action presented. The NDC also summarizes the plans for implementing the actions set out, including activities to finance and monitor progress.</p>
	<p><b>Horizon 2030</b> - Horizon 2030 embodies the vision for Belize in the year 2030 and the core values that are to guide citizen behaviour and inform the strategies to achieve this common vision for the future. It represents the consolidated views of many stakeholders—young and old, men and women, students and teachers, politicians and voters, employers and employees, public and private sectors, farmers, tourism operators and artists</p>
	<p><b>National Biodiversity Strategy and Action Plan</b> - The National Biodiversity Strategy and Action Plan (NBSAP) is a five year plan set within a fifteen year framework (aligning with the Horizon 2030 national development framework), and is designed to achieve the national Vision, through five thematic areas: mainstreaming, reducing pressures. Protection, benefits and implementation.</p>

69 Note: Caribbean countries with MSME policies: Belize, Jamaica and Trinidad and Tobago. Barbados has a Draft Small Business Policy.

70 Source: People's United Party. 2020. Plan Belize.



**National Financial Inclusion Strategy** - Belize's National Financial Inclusion Strategy (NFIS) provides a roadmap for the country to accelerate financial inclusion efforts through a series of specific, delineated, and sequenced actions for a wide range of stakeholders.



#planBelize

**PlanBelize** - Plan Belize is the government's roadmap to build a better Belize. The plan focuses on governance, anti corruption, education, healthcare, agriculture, women's agenda and family, rural living, housing, transport and infrastructure, safe society and justice, land, economy and jobs and tourism.



**National Economic Recovery Strategy** - The Economic Recovery Strategy is designed to provide economic recovery while addressing known fundamental constraints to economic growth. It is intended to provide for needed structural adjustments so that our recovery occurs on a strong foothold for long term sustainability, thereby strengthening our business sector, and with improved government efficiency in delivering services.

Although outdated, the National Export Strategy 2006 - 2010 attempts to migrate Belize away from a factor driven level of competitiveness where the country's exports compete based on their factor endowments, unskilled labor, and natural resources, by addressing issues of capacity and productivity deficits and gaps, the real and relative high cost of doing business but within the context of addressing broader development issues such as employment generation, poverty alleviation, and environmental sustainability. The strategy outlines key pillars specifically related to MSMEs: to provide legislative and comprehensive technology support for quality and standard management, and metrology and technical support services for MSMEs; and to transfer technology/ research and development for promoting the export potential of enterprises in particular MSMEs. The strategy further outlines priority and strategic considerations which includes MSME objectives.

## RESEARCH AND INNOVATION

The SDG agenda provides an ambitious framework to address education sector challenges. Innovation can help bring about the transformation needed to meet this ambitious agenda, and MSMEs could contribute to the creation and innovation for expanding the scope of inclusive education. Innovation rates tend to increase with economic development for both men and women entrepreneurs, from about 20% in low and lower-middle-income countries to 30% in high-income countries. Horizon 2030 envisions Belizeans capable of using state of the art technology which incorporated inproductives enterprise. The Information and Communications Technology (ICT) sector has been specifically highlighted in the National Trade Policy 2019 - 2030 as a sector to be integrated in MSME development. The policy further highlights that communication, computer and information services rank as the second highest revenue generating sector after travel services. Key indicators for research and innovation is presented below:

**An underdeveloped and disjointed tertiary education system inhibits innovation.** Belize has only two (2) registered universities in the country: The University of Belize (UB) and Galen University. Both have made strides to foster innovation through the UB's Annual Marketing Expo that has been hosted for over a decade and the Innovation Symposium hosted by Galen University, BELTRAIDE and UB. Further, Galen University offers a Bachelor of Science in Entrepreneurship degree and has identified establishing an innovation center within a new campus where students who have an idea have the space to launch it and have mentors to support. However, despite efforts, Belize's tertiary education system is largely underdeveloped and underfunded and places a ceiling on the support that innovators can receive.

**Research and innovation in Belize is limited.** Innovation in Belize is significantly limited due to the lack of capabilities and the lack of incubating institutions that typically foster innovation in other countries. Universities are typically key sources of innovation in countries across the world, facilitating the expression of ideas from a diverse range of individuals across many disciplines. Education institutions across the globe have dedicated innovation centers that encourage and foster innovation.

## National Level

At the national level, there are three key components: financial markets, infrastructure, and labor force and employment. Financial markets play a vital role in facilitating economic activity by allocating resources and creating liquidity for businesses and entrepreneurs. Broad and deep financial markets incentivize good governance and keep entrepreneurs focused on growth. Consumers and entrepreneurs rely on national infrastructure for the movement of goods and services and transactional convenience. Digital infrastructure, including mobile technology access, financial technology, and e-commerce supports commerce and entrepreneurship. Finally, labor and employment laws govern relationships between employees and employers, allowing for dispute resolution and mutual benefits.

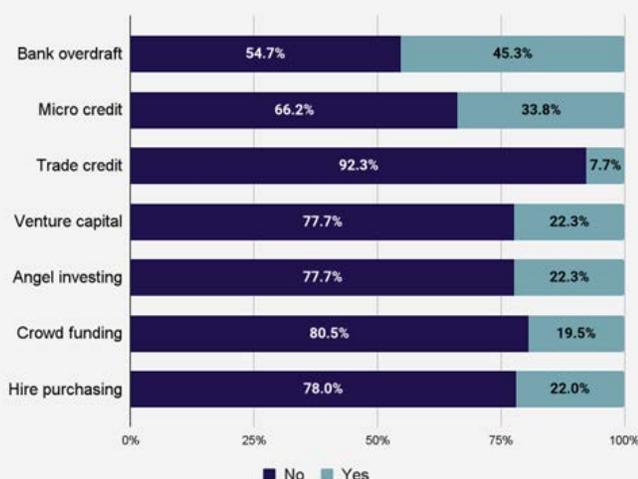
### FINANCIAL MARKET

Belize's financial system is bank dominated with domestic bank assets totaling \$4.1BN. Credit Unions are the second largest institution in asset value at 1.03BN, followed by International Banks and Domestic Insurance Companies. Bank loans have traditionally been and continue to be the main source of financing, being equivalent to 94.0% of GDP relative to credit unions at 29.7% of GDP, as of December 2019<sup>71</sup>. In addition, there are no capital markets in Belize, with debt and equity issuances being historically limited to sovereign and quasi-sovereign entities (Treasury bills and notes, municipal bonds and utility debt and equity). Key indicators for financial markets are presented below.

**Equity and risk financing is nonexistent which supports the traditional owner-manager model and inhibits institutionalization.** With no capital market and opportunity for equity and risk financing, MSMEs lack the incentive to transition to more accountable forms of incorporation and to prioritize good governance and effective management. Development of a national capital market remains a top priority and would facilitate MSME friendly capital mobilization and deployment.

71 Central Bank of Belize (Dec. 2019)

**Literacy on alternative financing methods remains low.** Alternative modes of financing such as venture capital and angel investing are not available in Belize and this is reflected by the limited knowledge on alternative modes by business owners. The majority of business owners have not heard of micro financing, venture capital, hire purchasing or trade credit.



## INFRASTRUCTURE

The quality of infrastructure across the country is generally high, however infrastructure patches still exist across the country, especially in rural areas. Road networks, electricity and water distribution systems are increasingly vulnerable to climate events and climate change, especially in coastal areas. But beyond physical infrastructure such as roads and power lines, businesses also rely on social infrastructure including public transportation systems, postal services, and logistics.

**Postal services remain inefficient and under-resourced.** A reliable and efficient postal service is an essential aspect of the way people do commerce worldwide. Consumers expect to be able to receive goods quickly and conveniently, and businesses rely on national postal services and other couriers to ensure customer satisfaction. In Belize, postal service coverage is confined to urban areas and logistics suffer from a lack of standardization of postal addresses.

**Overland freight services are unreliable and poorly suited to meet consumer expectations.** As alternatives to the national postal service, local couriers and overland freight service providers (e.g. BPMS) facilitate the delivery of goods across the country. However, unreliable and slow service (some providers only offer two delivery times per day), leads to lost opportunities for MSMEs and consumers. The outlook for better service is negative given increasing fuel prices and very little competition.

**E-commerce and digital infrastructure continues to disappoint.** Outside of social media platforms, that help vendors and entrepreneurs connect with customers, dedicated e-commerce sites and services are nonexistent. Belizean MSMEs do not have access to a central e-commerce platform (e.g. Amazon) to sell their products and business websites are not routinely developed due to a lack of technical capacity and high costs when outsourcing.

## LABOR AND EMPLOYMENT

Belize's economy supports a sizable informal sector which is sustained by a combination of barriers to entry (e.g. tax registration, business registration, trade licenses) and niche market needs that are primarily serviced through informal markets (e.g. landscaping). A recent survey of employers found employers in Belize are interested in workers with digital transformation skills, such as basic and advanced IT skills, critical thinking skills, and socioemotional skills.<sup>72</sup> A lack of communication between education and training institutions and employers makes it difficult for employees to acquire the skills that employers want. In addition, Belize fails to maximize its human capital potential due to systemic gender inequalities that lead to lower labor-market participation, employment levels, and wages for women, relative to men, even though women have higher levels of education than men.<sup>73</sup> Given Belize's growing need for an educated workforce, excluding women from the labor market hinders economic development.

**Largely unskilled labor force inhibits innovation and growth by MSMEs.** Only 21% of the national population has fully or partially completed a tertiary education. The lack of a skilled workforce means that innovation is jeopardized and MSMEs are constrained.

**Restrictions on foreign skilled labor inhibit the transfer of proactive knowledge.** Protectionism continues to restrict the transfer of knowledge and technology through foreign skilled labor. Immigration law dictates that any foreign citizen who wishes to work in Belize must be a legal resident (have resided in Belize for at least six months). In addition to permits, visas, and the residency requirement, all indications are that the process is slow and cumbersome. Government services are notoriously slow and coordination between relevant ministries is poor. There are no special provisions for highly skilled foreign labor as a method of transferring knowledge (e.g. H1B visa in the USA).

**The informal labor market continues to be an attractive source for staff.** Although total compensation costs (contributions to the National Social Security Fund amount to 6.1% of wages, on average), MSME owners tend to resort to the informal market for employees. The pension benefits in Belize are low compared to other countries (maximum yearly pension for a minimum wage employee upon retirement is US \$2,025) and employees are willing to forgo paying into social security. The lack of employee buy-in means that there is always an ample supply of informal labor that MSMEs can employ to lower costs.

**The immigrant labor market is easily exploited by businesses.** Also adding to the general level of informality is the immigrant labor force. Data on the size of the legal immigrant workforce is not readily available and estimates on the size of the illegal immigrant workforce are not available either. Immigrant workers from Guatemala, Honduras and El Salvador are vulnerable to exploitation and can generally be recruited for less than the minimum wage.

72 Source: Nasslund-Hadley, E. et al., 2020. Skills to shape the future: Employability in Belize. IDB. [https://publications.iadb.org/publications/english/document/Skills\\_to\\_Shape\\_the\\_Future\\_Employability\\_in\\_Belize\\_en.pdf](https://publications.iadb.org/publications/english/document/Skills_to_Shape_the_Future_Employability_in_Belize_en.pdf)

73 Source: Ibid.

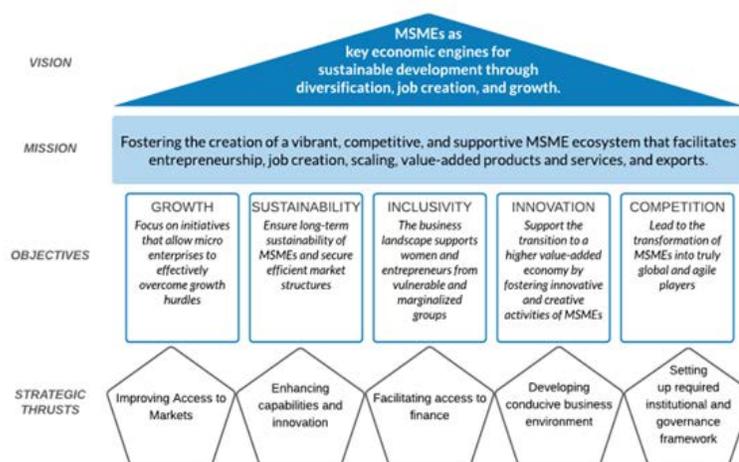




## 4.0 Strategy

Belize’s National MSME Strategy should be driven by the strategic vision of “MSMEs as key economic engines for sustainable development through diversification, job creation, and growth”. To achieve this vision, this strategy defines a mission for all stakeholders that calls for “fostering the creation of a vibrant, competitive, and supportive MSME ecosystem that facilitates entrepreneurship, job creation, scaling, value-added products and services, and exports.”

**Figure 11: MSME National Strategy Framework**



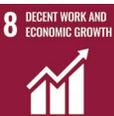
To achieve the vision and mission, a clear set of strategic objectives aimed toward growing MSMEs, enhancing their sustainability, improving their innovation and strengthening their competitiveness is presented in Figure 11. Each objective is further described below.

<b>Growth</b>	The strategy focuses on initiatives that allow micro enterprises to effectively overcome growth hurdles, including access to growth capital, corporatization, and access to markets in order to transition to large enterprises which create jobs and contribute to Belize’s economic growth.
<b>Sustainability</b>	The strategy ensures long-term sustainability of MSMEs beyond their early entrepreneurial stages and original founders, and secure efficient market structures with level playing fields which allow MSMEs to thrive.
<b>Inclusivity</b>	The strategy ensures that the business landscape supports women and entrepreneurs from vulnerable and marginalized groups including youth and indigenous peoples.
<b>Innovation</b>	The strategy aims to support the transition to a higher value-added economy by fostering innovative and creative activities of MSMEs, which create knowledge-based employment opportunities.
<b>Competition</b>	The strategy will lead to the transformation of MSMEs into truly global and agile players with higher productivity and improved resiliency, allowing them to compete effectively in the global economy.

## MSMEs and SDGs

MSMEs are the primary source of net job creation in many countries and are the driving force of innovation and sustainability in the private sector.<sup>74</sup> Their collective role in economic activity, through job creation, particularly for the poor and marginalized groups, and as providers of key services in education, health, water and sanitation, make them critical partners in the pursuit of the Sustainable Development Goals (SDGs).

**Figure 12: MSMEs and SDGs**

 <p>1 NO POVERTY</p>	MSMEs help reduce the proportion of men, women and children of all ages living in poverty through job creation and economic growth
 <p>2 ZERO HUNGER</p>	MSMEs make up the majority of the world's producers and ensure sustainable food production systems
 <p>5 GENDER EQUALITY</p>	MSMEs employ a disproportionate number of women and play a key role in ensuring women's full and effective participation in business and trade
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	With adequate support, MSMEs help societies achieve higher levels of economic productivity
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	As drivers of innovation, MSMEs often fill gaps in the marketplace in terms of goods and services
 <p>10 REDUCED INEQUALITIES</p>	MSMEs empower communities to lift themselves out of poverty which leads to reduced inequalities
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	With adequate support, MSMEs can lead the sustainable revolution
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Support for MSMEs requires collaboration between several stakeholders from the governments, financial institutions, civil society, academia, and the private sector

This strategy is aligned with key national plans and strategies as outlined in Section 4.0 and is designed to support implementation of Plan Belize.<sup>75</sup> Direct linkages between strategic thrusts, SDGs and PlanBelize objectives are mapped below.

74 Source: Sobir, Raniya. Report on MSMEs and the Sustainable Development Goals. UNDESA, n.d.

75 Note: A detailed list of PlanBelize objectives is provided in Annex D.

Table 3: Strategic thrust map

NO.	STRATEGIC THRUST	PLAN BELIZE	SDGS
1	Improve access to markets	PB1, PB4, PB5, PB6	  
2	Develop conducive business environment	PB7, PB10	 
3	Enhance capabilities and innovation	PB2, PB4, PB5, PB6	   
4	Facilitate access to finance	PB4, PB6	   
5	Set up the required institutional and governance framework	PB1, PB4, PB5, PB6	 

The six (6) strategic thrusts outlined are further divided into a set of initiatives and activities which collectively constitute the strategy. Each strategic thrust and its related initiatives are described below.

### STRATEGIC THRUST 1: IMPROVE ACCESS TO MARKETS

Improving access to markets entails removing financial and technical barriers to allow for greater MSME participation in local and external markets. Domestically, MSMEs are often locked out of potential opportunities due to rigid and inflexible procurement processes and restrictive market structures (e.g. oligopolies). For example, there are currently no quotas for MSME participation in government procurement in Belize. The Small Business Administration (SBA) in the USA has ensured that small businesses receive a fair proportion of federal contracts since 1953.<sup>76</sup>

Externally, market access is a challenge for MSMEs because of the technical barriers faced when seeking to enter some overseas markets. Barriers include, but are not limited to: standards, certification and accreditation requirements, rules of origin, customs procedures and labeling and packaging rules. For example, under provisions of U.S. law importers of food products are responsible for ensuring that the products are safe, sanitary, and labeled according to U.S. requirements. Similarly, food exported to the European Union (EU) must meet strict requirements, including Hazard Analysis and Critical Control Points (HACCP) requirements.<sup>77</sup>

**Unlocking local industries and opportunities, strengthening standardization, and increasing MSME visibility will ensure that Belizean MSMEs are competitive, poised for growth, and at the vanguard of innovation.**

<sup>76</sup> Source: Small Business Act of 1953. Accessed at: <https://www.fedgovcontracts.com/chap11.pdf>

<sup>77</sup> Note: Hazard Analysis Critical Control Points (HACCP) is a methodology, which food processors, packagers and distributors must use to identify the potential hazards that can be introduced while food is under their care. Furthermore, it determines how those hazards can be prevented, eliminated or reduced to acceptable levels.

NO.	GOAL	ACTIVITIES/ INITIATIVES
1.1	<b>Award 20% of all government procurement tenders to MSMEs by end of FY 2024</b>	<ul style="list-style-type: none"> <li>A. Develop a procurement policy paper which supports MSME tendering for government contracts and requires GOB procuring entities to set aside 20% of their procurement budgets for eligible micro and small businesses. Procuring entities should be required to review and report on the volume and value of contracts issued;</li> <li>B. Develop a system for the advertisement of all contracts designated for MSMEs on a single GOB website/ procurement portal;</li> <li>C. Develop a National Procurement Registry framework that allows for voluntary registration of MSME contractors (linked to the procurement portal, see B) which will provide information on the procurement opportunities under the set-aside allocation</li> <li>D. Establish procedures that allow for MSMEs to cluster or make joint bids;</li> <li>E. Promote alignment of the procurement framework with support measures for MSMEs, such as access to finance and business development services;</li> <li>F. Develop a database to track MSME participation, contract awards and contract values as well as to monitor the performance of procuring entities and MSMEs;</li> <li>G. Foster a sensitization programme for MSMEs and procurement officers to ensure that each group understands the changes required and is equipped to implement and support those changes;</li> <li>H. Encourage MSME stakeholders both private and public (e.g. BCCI, Belize Enterprise for Sustainable Development (BEST)), to collaborate in providing integrated, low cost training to assist MSMEs to participate in public procurement;</li> <li>I. Establish a mechanism to monitor and evaluate the performance of MSMEs in executing set-aside contracts.</li> </ul>
1.2	<b>Bridge MSMEs to Large Enterprises and Multinationals with a supplier development program</b>	<ul style="list-style-type: none"> <li>A. Develop, in collaboration with Ministry of Foreign Affairs, Foreign Trade and Immigration, the Ministry of the Blue Economy and Civil Aviation, and the Ministry of Tourism and Diaspora Relations, to a Direct Investment and Marketing Strategy to support MSME development and integration in regional and global supply and value chains;</li> <li>B. Leverage the National Investment Policy and Strategy (NIPS) and Innovation Protected Areas Conservation Trust (PACT) to provide an enabling framework for MSMEs to explore and enter external markets;</li> </ul>

- C. Promote Belizean MSMEs' interests within the regional and multilateral system through Belize's network of embassies and consulates;
- D. Develop and maintain a business directory for MSMEs according to ISIC classification standards that will be available to the public through the BELTRAIDE website;
- E. Leverage the Belizean diaspora to facilitate the transfer of skills, knowledge, networks and market intelligence through MSME showcase events in external markets, supported by Belizean embassies/ consulates;
- F. Conduct a strategic review of products and services that can be marketed in external markets;
- G. Revise guidelines of the Designated Processing Area framework to ensure MSME participation in the supply and value chain of companies housed in DPAs;
- H. Increase MSME participation in regional and global value chains by facilitating greater linkages with regional and international production networks, particularly in Central America;
- I. Adopt a more niche marketing strategy for MSMEs, that leverages the Belizean and Caribbean diaspora in external markets.
- J. Implement Campaigns to reach out to firms (potential anchor firms and suppliers)
- K. Organize a match-making day (Supply Day) once per year
- L. Conduct Benchmarking missions with mature Supplier Development Programs

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**1.3 Support 50 MSMEs to obtain DPA status by end of 2024**

- A. Revise fiscal incentives program in collaboration with the Ministry of Finance to allow for participation by MSMEs;
  - Reduce capital requirements for participation in the FI program
  - Revise environmental impact requirements for MSMEs (likely to have small footprints)
- B. Conduct feasibility study for an industrial park with DPA status to provide facilities to qualified MSMEs and large enterprises;

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**1.4 Stimulate export readiness and capacity**

- A. Promote and enhance standardization by working with the Belize Bureau of Standards to improve market standards to meet local and international criteria, particularly in the area of agro-processing and food and beverage production;
- B. Revise national standards to allow for MSME national certification system for goods and services to ensure MSME compliance;

- C. Review and upgrade Belize's participation in existing trade agreements with special consideration to MSMEs;
- D. Link Belize to new trading partners, especially growth economies through free trade agreements to facilitate MSME access (e.g. African and Middle-Eastern countries);
- E. Develop a direct marketing strategy of high quality brand Belizean products specifically targeting the Diaspora Market;
- F. Conduct research and disseminate information to local MSMEs about key requirements in international markets;
- G. Facilitate the promotion of non-traditional exports such as the creative arts, ethnic food and apparel, through overseas missions and consulates.

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**1.5 Ensure that 100% of BELTRAIDE MSME export clients meet required standards**

- A. Identify and address the issues MSMEs face with becoming involved in the standards development process;
- B. Develop and implement communication strategies to increase the awareness of MSMEs about the benefits of standards and certification;
- C. Develop and implement initiatives (e.g. provision of training, technical guidance, grants) to support MSMEs in the implementation and maintenance of regional and international standards;
- D. Encourage MSMEs to seek certification (product and management system) for their goods and services;
- E. Develop and strengthen the capacity of local intermediaries (e.g. business support organizations) to provide services to MSMEs in the implementation and maintenance of regional and international standards;
- F. Develop, maintain and publicize a database of accredited conformity assessment bodies (laboratories, inspection and certification bodies - both locally and internationally) and certified companies;
- G. Ensure that relevant and up-to-date information on standards-related market access requirements in export countries is identified and provided to MSMEs;
- H. Develop a resource mobilization strategy with the Belize Bureau of Standards to support capacity building and quality assurance;
- I. Provide accreditation-related training and make relevant technical information available to MSMEs through BELTRAIDE's functional units;
- J. Promote ISO 9001-2008 quality management system certification across the entire public and private sectors to modernize quality management systems in their organizations.

**1.6 Increase creative industry/  
Orange Economy revenue  
to 1% of GDP**

- A. The Investment Policy and Compliance Unit and Beltraide will work with stakeholders and National Institute of Culture and History (NICH) to develop a National Creative Industry/Orange Economy Strategic Plan;
- B. Facilitate special training for MSMEs operating in the creative industries. Training should be offered in areas such as business practices for these industries and the use of ICT tools in production and commercialization of creative goods and services;
- C. Facilitate e-training through Massive Open Online Courses (MOCCs) which are available in business practices, film-making etc (e.g. MOCC.org);
- D. Develop a National Artisan and Craft Policy to facilitate the diversification of creative products and maximize the export potential of MSMEs;
- E. Promote non-traditional exports in the creative industries e.g. creative arts, ethnic food, and apparel;
- F. Promote awareness of the global creative economy among Belizean entrepreneurs;
- G. Address issues related to the implementation of trade agreements to facilitate greater ease of entry into traditional and non-traditional markets;
- H. Increase resources to the Belize Intellectual Property Office (BELIPO) to assist with promoting public awareness of the value of intellectual property;
- I. Promote greater linkages between the creative industries and other sectors of the economy;
- J. Develop networks and clusters specifically for the creative industries and establish more business incubators for creative entrepreneurs;
- K. Increase data and information on the creative industries and conduct study on economic contribution of the creative industries in Belize.
- L. Support participation of Orange Economy enterprises in local, virtual, national, regional and international events to showcase national talent and inspire a participatory sense of culture and expressions.
- M. Create a catalogue to promote the Orange Economy in national, regional and international markets
- N. Support in Market Intelligence research for products and services exportation based on viable market opportunities.

**1.7 Conduct an MSME  
Roadshow targeted to the  
Tourism Sector every 2  
years with a supply chain  
mapping and tourism  
consumption study exercise  
to highlight opportunities  
for local supply**

- A. Establish a survey of the tourism sector to determine goods and services purchased.
- B. Update the listing of hotels, restaurants, to include bars, souvenir shops, wedding and event planners, caterers, and tour operators
- C. Conduct matchmaking exercise between the tourism sector clients and MSMEs producing goods and services

- D. Work with the relevant authorities to organize the sale of services and packaged goods targeted to the tourism sector.
- E. Prepare a mapping of the supply chain of the tourism sector to identify clusters
- F. Arrange for MSME suppliers to visit tourism sector purchase managers.

## STRATEGIC THRUST 2: DEVELOP CONDUCTIVE BUSINESS CLIMATE

High levels of bureaucracy, coupled with high transaction costs, inhibit MSME growth. The GOB is ultimately responsible for creating an enabling framework, providing infrastructure, and support services to facilitate economic growth and sustainable development.

Goals include tacking informality and streamlining administrative, compliance, and bureaucratic processes. The most recent estimate of the informal economy in Belize is 46% of all economic activity within the country - second only to Haiti in the Caribbean region.<sup>78</sup> An inflexible corporate and income tax regime marred by administrative and technical deficiencies is partly to blame for high levels of informality and reduces the resources available for investment in the sector. In addition, women and youth entrepreneurs, critical actors in Belize's sustainable development agenda, need tailored and timely support to generate ideas, secure financing, and integrate into the larger ecosystem.

**The number of possible interventions to develop a conducive business environment in Belize is large. The goals presented below reflect an effort to address those challenges that will deliver high impact and provide a solid foundation for future refinement.**

NO.	GOAL	ACTIVITIES/ INITIATIVES
2.1	<b>Increase number of tax compliant MSMEs by 80%</b>	<ul style="list-style-type: none"> <li>A. Conduct baseline research on the informal sector that allows data to be disaggregated by industry, gender, location, etc.</li> <li>B. Develop a clear and agreed definition of formality that will promote greater simplicity, cost effectiveness and efficiency in business licensing and registration and tax compliance procedures for MSMEs;</li> <li>C. Launch a public education campaign on the benefits of formality and its impact on enterprise growth.</li> <li>D. Mobilize resources to conduct a cost/benefit analysis of the Belizean tax regime and revise to streamline registration and compliance;</li> <li>E. Ensure all beneficiaries of Government support become tax compliant;</li> <li>F. Promote the targeted use of sector-specific incentives underpinned by empirical cost/benefit data;</li> </ul>

78 Source: Amos, Peter. Estimating the Size of the Informal Economy in Caribbean States. IDB, 2017. Accessed at: <https://publications.iadb.org/publications>

- G. Mount a sustained public education campaign to change the attitudes of Belizeans towards the payment of taxes, emphasizing how the GOB can support the MSME sector and the benefits to the country, when the tax base is broadened;
- H. Estimate the impact of tax and incentive support to the MSME sector.

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### 2.2 Reduce time to open a business by 80%

- A. Develop electronic business registration form to allow on-line incorporation of companies and registration of business names to reduce the processing time for all businesses;
- B. Implement appropriate framework for monitoring the regulatory and administrative procedures for MSMEs;
- C. Institute a comprehensive monitoring and evaluation system to measure progress in reducing the bureaucracy and cost of doing business for MSMEs;
- D. Encourage ongoing dialogue with MSMEs to sensitize them about improvements in the business environment and solicit their feedback for further changes that should be made in the administrative and regulatory environment;
- E. Engage existing structures (e.g. Ministry of Youth, Sports and E-Governance, City and Town Councils, and GOB) in supporting the desired business legal, regulatory and administrative environment

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### 2.3 Conduct strategic review of municipal trade licensing regime

- A. Mobilize resources to conduct a cost/ benefit analysis of municipal trade licensing regimes and revise to streamline registration and compliance;
- B. Eliminate separate business licenses for architects, engineers, medical practitioners, and attorneys who already hold an individual license in order to remove unnecessary barriers to entry;
- C. Streamline renewal process, eliminating need for application in writing to the clerk of the Board;
- D. Eliminate square footage tax which inhibits expansion and growth.

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### 2.4 Eliminate gender gap in SME ownership

- A. Identify factors that constrain the participation of women in business by collaborating with the National Women's Commission and forging partnerships with Women Business Associations (e.g. LEAP Women's Group) and develop appropriate strategies to address these constraints;
- B. Build the capacity of organizations to develop and deliver programs that incorporate the unique challenges of female and male entrepreneurs;

- C. Support the mission of NGOs that are established to address the needs of marginalized genders (e.g. transgender);
- D. Facilitate training by the allocation 50% of SBDC and Business and Technology Education Council (BTEC) training budget to women entrepreneurs;
- E. Develop business incubators to facilitate ICT innovation and the use of indigenous materials, with at least

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**2.5 Increase youth entrepreneurship in MSMEs by 50%**

- A. Develop Youth Entrepreneurship Strategy to create an enabling framework for the development of successful and sustainable youth-led businesses;
- B. Establish a resource and support network with funding and programs that supports youth enterprise development;
- C. Support the mission of NGOs and business that are established to address the needs of marginalized youth;
- D. Partner with institutions such as Youth for the Future and the Young Women's Christian Association (YWCA) to attract and engage youth in basic literacy and numeracy skills development to assist entrepreneurial development;
- E. Identify and foster the establishment of community clusters for youth-led enterprises.

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**2.6 Reduce time to process and issue FI and DPA incentives by 50%**

- A. Review processes and protocols of FI and DPA applications to reduce turnaround time.
  - B. Amend the FI and DPA Acts to streamline the application process
  - C. Establish One off Applications under the FI Act
  - D. Reduce requirements for MSMEs to apply for a FI
- 

### STRATEGIC THRUST 3: ENHANCE CAPABILITIES AND INNOVATION

Despite the existence of entrepreneurship training facilities in Belize (e.g. SBDC, BTEC) formal training of entrepreneurship is relatively low within the MSME sector. In addition, all indications are that resources invested to date have not produced tangible results. MSMEs continue to lack general accounting and bookkeeping skills, and strategic planning skills which hamper their development and growth. It is important that basic entrepreneurial skills are strengthened to drive innovation, creativity, and wealth creation with the MSME sector.

MSMEs require dedicated and timely support to identify and adopt new technologies, generate ideas, meet other entrepreneurs, and to experiment. The average expenditure on R&D for Latin America and the Caribbean is 0.6 % of GDP while in Belize there is no data available on R&D expenditures. Raising awareness to the benefits of corporate responsibility, and human capital development are also critical activities to establish a culture of innovation and entrepreneurship.

Enhancing capabilities and innovation requires the participation of several actors - especially the private sector. In light of deficiencies in education caused by fiscal and human capital constraints, BELTRAIDE must leverage the private sector, successful entrepreneurs, and other Business Support Organizations to support capacity building.

NO.	GOAL	ACTIVITIES/ INITIATIVES
3.1	<b>Assist MSMEs in technology uptake</b>	<ul style="list-style-type: none"> <li>A. Assist MSMEs in identifying technology requirements (e.g., management and financial systems, automation, CRM) through BELTRAIDE's functional units;</li> <li>B. Work with the Ministry of Finance to develop innovation incentives (e.g., tax credits for selected capital expenditures) for technology upgrades in order to enhance MSME competitiveness;</li> <li>C. Promote the importance of creativity as a precondition for innovation, with a focus on Science, Technology, Engineering, Arts and Mathematics (STEAM) in the national education programmes;</li> <li>D. Support the introduction of ICT-enabled services to the sector, including Mobile Money and other innovative products and services that will boost the productivity of MSMEs;</li> <li>E. Facilitate the provision of private equity financing and other types of financing options for high-tech MSMEs (those involved in innovation and creation of ICT products and services) that need to acquire ICTs for business development purposes;</li> <li>F. Foster the development of an appropriate legislative framework to support businesses that use or supply ICT products and services;</li> <li>G. Promote the marketing of local products and services through online social networks;</li> <li>H. Collaborate with umbrella organizations to encourage more MSMEs to take advantage of e-commerce opportunities;</li> <li>I. Expand ICT infrastructure by collaborating and co-branding with providers of broadband services that can be accessible to all businesses.</li> </ul>
3.2	<b>Expand vocational education programs to meet demand</b>	<ul style="list-style-type: none"> <li>A. Develop and implement communication strategies to destigmatize trade/ vocational education and boost enrollment (especially in marginalized, high-unemployment communities);</li> <li>B. Work with Ministry of Education and Institute for Technical and Vocational Education and Training (ITVET) to revise program offerings to meet market needs;</li> <li>C. Promote the inclusion of business management, accounting, and entrepreneurship courses in VET curricula;</li> <li>D. Secure accreditation (possible external accreditation) of local VET programs.</li> </ul>
3.3	<b>Establish National Business Incubation Center (and supporting network)</b>	<ul style="list-style-type: none"> <li>A. Develop requirements, protocols, incentives and facilitating provisions for the development of incubators;</li> </ul>

- B. Secure grant funding for the establishment of a national incubation center that supports innovators/ inventors in developing products and commercialization of their ideas;
- C. Work with the Ministry of Education and tertiary level institutions to develop campus innovation centers - particularly in STEM fields. Campus innovation centers can forward promising ideas/ innovations to the National Incubation Center;
- D. Collaborate with potential developers and users to suggest the preferred types of incubators to be developed and seek to develop them as priorities
- E. Collaborate with the private sector, MSME associations and academia to deliver a pointed and persistent education programme to inform MSMEs of the benefits of utilizing incubation services;
- F. Facilitate the hosting of quarterly idea exchange sessions for specific business clusters across the country. In addition to the exchange of ideas, there should be relevant presentations that will help to ignite creative thinking especially among business leaders;
- G. Develop a coordinated and structured methodology for accessing funds/resources offered by multinational organizations to support the formation and/or improvement of business clusters;
- H. Partner with municipal governments and real estate developers to provide suitable building infrastructure for small businesses;

**3.4 Establish capacitation fund to subsidize MSME employee training through MOOCs and other channels (US \$5M)**

- A. Identify donor and grantors to establish a US \$5M capacitation fund;
- B. Develop online resource database where MSMEs can access training resources;
- C. Develop online portal for applying to capacitation fund;
- D. Explore possibility of offering courses locally, through collaboration with tertiary institutions;
- E. Assist MSMEs in upgrading human capital capabilities through tax credits or subsidies for targeted trainings;
- F. Ensure quality of training providers by developing register of approved training providers (both locally and externally);

**3.5 Increase R&D expenditures to 0.5% of GDP (US \$9M)**

- A. Optimize and refocus budgets (including grant funding) towards research and development to develop MSME capacity to develop competitive advantage in key sectors (e.g. agro processing, fisheries, creative industries);
- B. Reach out to local and international universities to create exchange programs for students in STEAM;

- C. Establish innovation competition allowing entrepreneurs and inventors to compete for funding for go-to-market development;
- D. Survey international innovation competition landscape and identify opportunities for local innovators;
- E. Support the mobilization of resources for local research institutes such as Sugar Industry Research and Development Institute (SIRDI);
- F. Promote tighter partnerships with academia, both locally and internationally, the public and private sectors, to ensure common priorities to maximize R&D budgets;

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### 3.6 Strengthen corporate responsibility

- A. Work with the Department of the Environment and the Ministry of Sustainable Development to identify green products where MSMEs may have a competitive advantage;
- B. Work with the Department of the Environment and the Ministry of Sustainable Development to support MSMEs in adopting green production processes;
- C. Develop Green Certification framework that allows MSMEs to be recognized for their sustainable practices;
- D. Encourage, assist and facilitate micro enterprises to formalize their businesses legislatively and by regulations;
- E. Encourage, facilitate and enable MSMEs to normalize and formalize their business operations by structuring operations appropriately. (keeping records of costs, sales, etc.), to provide the basis for financial statements and the ability to assess the financial viability of MSMEs;
- F. Promote existing arrangements and forge new collaborations to implement tailored programmes to assist MSMEs to access equity financing – accessing angel financing and venture capital funding, utilizing crowd-funding and using any eventual over the counter exchange;
- G. Establish a comprehensive information directory for MSMEs of institutions offering financing solutions to the sector, the nature of the product offerings, and requirements.

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### 3.7 Expand network of accessible business service providers

- A. Adopt methodologies that support MSME development over the entire entrepreneurship process – emphasizing components of governance, strategic planning, and business modeling
- B. Compile an online directory of available technical training assistance resources;

- C. Accelerate the wider incorporation of technical/ vocational training at the primary, secondary and tertiary levels of the educational system;
- D. Support the development of incubators and accelerators in building capacity to enhance their potential to attracting financial support ;
- E. Develop a Career Advancement Program (CAP) for existing and potential MSME owners to give them the keys to unlock their full potential and advance toward greater leadership, strategic planning, and corporate responsibility
- F. Promote awareness of the importance of technical skills in the development and growth of MSMEs, through libraries, Youth Clubs, and other relevant outreach programmes;
- G. Encourage entrepreneurs, senior business executives and professionals with proven track records in particular fields to volunteer as mentors with BELTRAIDE and its functional units;
- H. Work with local tertiary institutions to expand existing internship programmes with private sector entities that are embracing creativity, innovation and a culture of entrepreneurship;
- I. Provide resources to facilitate networking opportunities and to match mentors and MSME entrepreneurs;
- J. Introduce a Recognition Award for Business Mentors who provide assistance to MSMEs;
- K. Organize educational activities to enhance the mentorship experience (for example seminars, workshops, site visits, etc);
- L. Establish entrepreneurship and business mentorship programmes in primary and secondary schools and in tertiary institutions

**3.8 Include MSME participation in the development of the Industrial Strategy with Green and Blue Industrial Policies**

- A. Include women and youth owned MSMEs in the policy development
- B. Include academia to identify emerging and niche sectors
- C. Develop an MSME industry clustering program to supply exporters

**3.9 Assist 5 BPO companies considered MSMEs to offer higher tier services**

- A. Allow duty free goods for BPO companies through the Fiscal Incentive program and allow employees to use these from any location.
- B. Enable the establishment of turnkey Data Parks through the Development Finance Corporation (DFC) or National Bank financing and easy access to incentives specifically for MSMEs.
- C. Develop at least two BPO 50-100 seat incubation centers that provide all the facilities required to deliver outsourcing services

<b>3.10 Support 2 new emerging sectors to export and in-crease production with significant participation by MSMEs</b>	<ul style="list-style-type: none"> <li>D. Begin data collection on vanilla production and export</li> <li>E. Begin data collection on Cardamom production and export</li> <li>F. Support formation of an agricultural and agroprocessing incubator for small agroproducers</li> <li>G. Training for the introduction of new emerging sectors for small agroproducers</li> </ul>
<b>3.11 Development of initiatives to support the Orange Economy</b>	<ul style="list-style-type: none"> <li>A. Survey the country to find out what is the most active part of the Orange Economy with a view to support in the near term</li> <li>B. Promote Orange Economy to the tourism industry</li> <li>C. Improve the profile of the Orange Economy to obtain loans from the lending institutions</li> <li>D. Support participation of Orange Economy enterprises in local, virtual, national, regional and international events to showcase national talent and inspire a participatory sense of culture and expressions.</li> <li>E. Create a catalogue to promote the Orange Economy in national, regional and international markets</li> <li>F. Support establishment of an artist development fund to support innovation in the Orange Economy.</li> <li>G. Promote financial support to the sector with the structuring of innovative financial instruments and the formulation of tax incentives tailored to its needs.</li> <li>H. Develop campaign to support increased number of registrations of works, acts and contracts at BELIPO.</li> <li>I. Roll out a product development program for Orange Economy enterprises</li> <li>J. Create a directory/ catalog to promote existing enterprises under Orange Economy</li> <li>K. Develop curriculum for building capacity of BSO to support Orange Economy</li> </ul>
<b>3.12 Modernize the Postal Service to use its existing infrastructure for expanded courier service to transport goods for MSMEs and start-ups in a cost-effective way and subsidise the cost of export courier service for MSMEs</b>	<ul style="list-style-type: none"> <li>A. Implement online tracking of packages shipped from Belize</li> <li>B. Subsidize international shipping cost from Belize</li> <li>C. Provide digital payment options for small suppliers</li> </ul>

#### STRATEGIC THRUST 4: FACILITATE ACCESS TO FINANCE

A defining challenge for MSMEs is their limited ability to access adequate and affordable financing. Ultimately, limited accessibility is driven by a combination of the following:

- Unavailability of adequate financing;
- High financing costs (high interest rates);
- Inability of MSMEs to provide/ supply the requested collateral for loan financing
- Lack of appropriate financing – extreme reliance on debt financing and the lack of non-loan financing (equity) opportunities;

- Inadequacy of MSMEs to access financing even when funding is available; and
- Low levels of financial inclusion
- Low levels of borrower equity

**Strategic Thrust 4 requires action to address access to finance from the supply and demand sides. Demand side issues are addressed by championing financial literacy and inclusion and by enhancing capacities as identified under Strategic Thrust 3. Addressing supply side issues will require close collaboration with the private sector, particularly bank and non-bank FIs, the GOB, and multilateral organizations to deepen financial markets and increase the aggregate volume of financing available.**

NO.	GOAL	ACTIVITIES/ INITIATIVES
4.1	<b>Increase bank loans to MSMEs by 50%</b>	<ul style="list-style-type: none"> <li>D. Lobby, incentivize and/or facilitate, as appropriate, the private financial sector to increase the supply of credit to MSMEs, targeting the differentiated needs of MSMEs;</li> <li>E. Ramp up Government efforts to facilitate increasing the supply of financial resources to MSMEs, through the private financial sector</li> <li>F. Explore the possibilities of facilitating special lending options for productive MSMEs;</li> <li>G. Incentivize financial institutions, especially commercial banks, to make more loans available to MSMEs in rural areas</li> <li>H. Explore the development and utilization of guarantee systems to support MSME financing.</li> <li>I. Facilitate training in the monetization/valuation of intellectual property for increased use of this asset as collateral, particularly among the Orange Economy.</li> <li>J. Conduct feasibility study for development of a collateral registry in Belize</li> <li>K. Work with the Ministry of Finance to facilitate new alternative financing tools including cash flow based financing, mezzanine debt, and factor financing (e.g. tender contractor to provide services);</li> <li>L. Identify sustainable sources of affordable funding to channel through GOB financial institutions, thereby expanding the pool of funds for on-lending at reduced interest rates;</li> </ul>
4.2	<b>Increase non-debt funds available to BZ \$50M</b>	<ul style="list-style-type: none"> <li>A. Collaborate with Ministry of Finance, licensed banking institutions, and the Central Bank to improve access to international crowdfunding platforms for Belizean startups and MSMEs (e.g. Kickstarter)</li> <li>B. Promote and facilitate the use of Angel Investing (convertible debt) to fund MSMEs</li> <li>C. Encourage/ incentivize the entry of top-tier international firms and professional investors by providing them with anchor funding</li> </ul>

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- D. Increase awareness of grant funding opportunities to support MSMEs;
  - E. Increase awareness of grant funding opportunities, traditional and alternative financial services available to support MSMEs;
  - F. Forge greater collaboration with the private sector toward the further development of a venture capital ecosystem, and the use of angel financing that will provide opportunities for funding of MSMEs;
  - G. Explore the establishment of Diaspora angel and venture funding, offering requisite incentives
- 
- 4.3 Establish National Over-the-Counter exchange for equity financing**
- A. Develop a National Sustainable investing (SI) label to provide transparency and drive capital towards the sustainability transition and especially, sustainable MSMEs
  - B. Explore the development of an over-the-counter Exchange in Belize that would, inter alia, serve smaller companies, provide a cost-effective mechanism for investors to raise capital, and provide an exit option for venture capital and angel investors;
  - C. Promote the development of a Belizean Stock Market with a Junior Market component for MSMEs;
  - D. Educate MSMEs on the merits of equity financing and the options available;
- 
- 4.4 Eliminate demand side issues**
- A. Enhance business support and development services to MSMEs, thereby enhancing their capability to benefit from increased support by financial providers;
  - B. Establish a comprehensive catalog, readily available to MSMEs, of initiatives to support the sector, the nature of the product offerings, and the requirements to access them;
  - C. Strengthen business support and development services to MSMEs to empower them to seek financial support;
  - D. Design business development support to ensure that MSMEs have the capacity to manage financial resources;
  - E. Establish national events and a calendar of networking events for MSMEs, financial institutions and other suppliers of financing;
  - F. Bolster the capacity of MSMEs to improve accountability and record keeping;
  - G. Facilitate the provision of special loan programmes and financing windows that target qualified Women-Owned Businesses, youth-owned businesses and persons with disabilities operating businesses;

- H. Enhance the institutional and regulatory framework for financial service providers to provide innovative financial products and services, leading to greater financial inclusion;
- I. Develop new distribution channels for on-lending of funds to MSMEs.

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**4.5 Establish and Secured Transaction and Col-lateral Registry**

- A. Begin the process to reform the law of security rights;
- B. Create a unitary model registry;
- C. Training of stakeholders.
- D. Public awareness campaign

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**4.6 Establish the Credit Bureau**

- A. Obtain Cabinet endorsement of the Credit Reporting Bill
  - B. Enact the Credit Reporting Bill
  - C. Establish the Credit Bureau
  - D. Public education and training of stakeholders and consumers
- 

## STRATEGIC THRUST 5: ESTABLISH THE REQUIRED INSTITUTIONAL AND GOVERNANCE FRAMEWORK

Cross-cutting issues such as the coordination among government entities, duplication of efforts, poor data management and information asymmetries must also be tackled to ensure effective implementation.

**The goals provided below have been selected to support accountability, transparency, and efficiency in the implementation of the strategy. Activities to strengthen data management are critical to establishing the foundation for data-driven decision-making, identifying bottlenecks, and reducing the duplication of efforts.**

NO.	GOAL	ACTIVITIES/ INITIATIVES
5.1	<b>Amend the BELTRAIDE Act</b>	<ul style="list-style-type: none"> <li>A. Secure legal counsel to develop white paper detailing required amendments to the BELTRAIDE Act including, but not limited to:               <ul style="list-style-type: none"> <li>a. MSME definition</li> <li>b. Key definitions to allow for procurement set-asides including, but not limited to:                   <ul style="list-style-type: none"> <li>i. What constitutes a registered enterprise</li> <li>ii. Maximum number of enterprises that can cluster for bids</li> <li>iii. Minimum capital requirements</li> <li>iv. Minimum reporting requirements</li> <li>v. Monitoring and evaluation framework for MSME performance</li> </ul> </li> </ul> </li> </ul>
5.2	<b>Amend the Fiscal In-centive Act</b>	<ul style="list-style-type: none"> <li>A. Add seven new activities</li> <li>B. Allow foreign companies to benefit</li> <li>C. Remove requirement for business plan for projects less than a million</li> </ul>

**5.3 Establish an inter-agency working group, headed by BELTRAIDE and the SIB, to focus on the development of data-base for MSME sector**

- A. Support the Statistical Institute of Belize (SIB) to complete an annual and comprehensive Business Establishment Survey
- B. Develop cooperation protocols with the Belize Tax Services Department and the Belize Customs and Excise Department to provide regular data on registered taxpayers, disaggregated by size, turnover, exports and other indices;
- C. Explore methods of data collection through the municipal governments and other MSME support organizations;
- D. Promote the reporting of data among financial institutions consistent with the proposed definition of MSMEs;
- E. Establish a central mechanism to capture all MSME financing (loan and grant) data provided by GOB entities consistent with the proposed definition for MSME;
- F. Sensitize MSMEs about the importance of data collection for policy formulation and decision-making;
- G. Promote the use of Geographic Information Systems to assist in mapping locations of businesses and other relevant information on the MSME sector;
- H. Develop and deploy yearly consumer opinion and preference survey to understand consumer trends and sentiment in collaboration with the Statistical Institute of Belize
  - a. Secure grant funding for yearly consumer opinion surveys
- I. Secure Global Entrepreneurship Monitor (GEM) national representation status to conduct GEM Survey in collaboration with the SIB
  - a. Secure grant funding for GEM surveys
- J. Deploy business establishment survey every year in collaboration with the SIB
  - a. Secure grant funding for yearly deployment of survey
- K. Development of entrepreneurial data portal that tracks key ecosystem indicators

**5.4 Establish Project Steering Committee to champion national strategy**

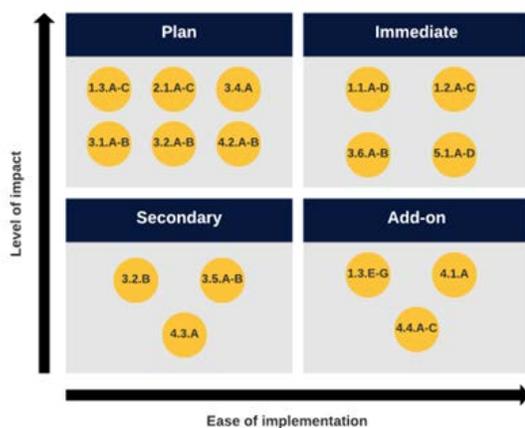
- A. Secure grant funding to recruit project manager to compose a Project Steering Committee with public and private sector representation to champion implementation of the strategy;
- B. Conduct action plan rationalization exercise with BELTRAIDE functional units, key stakeholders, partners, and agencies to define roles and responsibilities, expectations, and communications
- C. Develop detailed implementation timeline for BELTRAIDE functional units

## Roadmap

To develop an implementation roadmap, ease of implementation was assessed according to critical success factors and impact was assessed according to the impact that it could have on the MSME ecosystem. Prioritization is classified as follows:

- **Immediate** - Initiatives that are fairly easy to implement and are expected to generate a significant positive impact on the MSME ecosystem.
- **Plan** - Initiatives that are complex to implement but are expected to generate significant positive impact on the MSME ecosystem.
- **Add-on** - Initiatives that are fairly easy to implement and have low to moderate impact on stated objectives.
- **Secondary** - Initiatives that are more complex to implement but are not essential for the MSME ecosystem but can enhance it.

**Figure 12: Prioritization Matrix**



## Conclusion

With MSMEs representing more than 95% of registered businesses and more than 50% of total employment in Belize, the need for a National MSME Strategy can not be understated. The successful implementation of the strategy is a critical step in Belize's sustainable development agenda. In addition to barriers faced by MSMEs across the globe (e.g. access to finance), Belizean MSMEs must contend with a generally unsupportive local political context.

This study highlights the specific areas where Belizean MSMEs require support and assistance to ensure growth and sustainability. Efforts to date are commendable but have often been too little and too late. Initiatives continue to be bogged down by bureaucratic red-tape, poor coordination between the private and public sector, and fiscal realities that limit incentives.

Moving forward, it is crucial for BELTRAIDE to assume a vanguard role in MSME development. All matters related to MSME development should pass through BELTRAIDE, allowing for a streamlining of processes and initiatives. It will be beneficial for the government to empower BELTRAIDE to assume this role within the national economy. The study recommends several initiatives and outlines the optimal implementation strategy. Also, the strategy emphasizes the importance of an end-to-end approach where help is provided to entrepreneurs and startups

all the way through small and medium enterprises. It is also important to keep in mind that this strategy is a living document, meaning that it will have to be revised and amended as the Belizean economy evolves and as our business context demands.

**Belize is well positioned to tap into international supply and value chains due to its proximity to major international markets and its uniqueness as an english-speaking Central American country with deep cultural and political ties to the Caribbean. Results reveal that Belize has the right essential ingredients: highly ambitious and educated entrepreneurs, resilient women entrepreneurs, and political stability. This strategy represents BELTRAIDE's commitment to Belize's sustainable development and is the first of many future iterations aimed at supporting the Belizean entrepreneur as the Belizean economy evolves.**



# Annex

## Annex A: Consultation Meetings

No.	Organization	Interview Date	Interview Time
1	Belize Bureau of Standards	August 17, 2021	3:00 PM
2	Belize Chamber of Commerce and Industry	July 27, 2021	10:30 AM
3	Belize Coalition of Service Providers	August 23, 2021	10:00 AM
4	Belize Credit Union League	August 18, 2021	1:30 PM
5	Belize Customs and Excise Department	August 18, 2021	3:00 PM
6	Belize Enterprise for Sustainable Development (BEST)	July 29, 2021	3:30 PM
7	Belize Fisheries Department	August 3, 2021	1:30 PM
8	Belize Intellectual Property Office (BELIPO)	August 19, 2021	1:30 PM
9	Belize Red Cross	August 19, 2021	3:00 PM
10	Belize Tax Services Department	August 10, 2021	10:00 AM
11	Belize Trade and Investment Development Service (BELTRAIDE)	August 20, 2021	9:00 AM
12	Caribbean Development Bank	August 10, 2021	9:00 AM
13	Caribbean Export Development Agency	August 5, 2021	11:00 AM
14	Department of Cooperatives (MoA)	August 23, 2021	3:00 PM
15	Development Finance Corporation	August 24, 2021	9:00 AM
16	Economic Development Council	August 16, 2021	10:00 AM
17	Institute for Technical & Vocational Education & Training (ITVET)	August 24, 2021	10:30 AM
18	Ministry of Agriculture, Food Security & Enterprise	September 7, 2021	10:00 AM
19	Ministry of Blue Economy and Civil Aviation	August 24, 2021	3:00 PM
20	Ministry of Finance, Economic Development & Investment	August 30, 2021	1:30 PM
21	Ministry of Home Affairs & New Growth Industries	August 25, 2021	1:30 PM

No.	Organization	Interview Date	Interview Time
22	Ministry of Sustainable Development, Climate Change and Disaster Risk Management	August 26, 2021	10:30 AM
23	Ministry of Tourism and Diaspora Relations	August 26, 2021	1:30 PM
24	Ministry of Youth, Sports and E-Governance	September 7, 2021	3:30 PM
25	National Women's Commission	September 3, 2021	9:00 AM
26	Protected Areas Conservation Trust (PACT)	August 27, 2021	1:30 PM
27	Sugar Industry Research and Development Institute	July 23, 2021	10:00 AM
28	United Belize Advocacy Movement (UNIBAM)	July 28, 2021	10:00 AM
29	The Regional Center for the Promotion of Micro, Small and Medium Enterprises (CENPROMYPE)	August 11, 2021	10:30 AM
30	Belize City Council	September 3, 2021	1:30 PM
31	Belmopan City Council	August 31, 2021	9:00 AM
32	Belize Sugar Cane Farmers Association	August 30, 2021	9:00 AM

## Annex B: Key Performance Indicators (KPIs)

The lack of actionable market intelligence prevents successful long-term planning. In order to support public and private sector dialogue and facilitate communication with international and regional partners, BELTRAIDE should maintain a database on key indicators within the four-pillar framework.

### Entrepreneur Level: Business Culture

Indicators	Baseline Level
Small-scale enterprises with a loan or line of credit	Small firms with bank credit: 43.7% <sup>79</sup>
Annual growth rate of real GDP per capita	-1.6% annual growth rate of real GDP per capita (2019)
Growth rate of household expenditures	-15% growth rate of gross national income per capita in Belize (2020)
Number of trade shows held each year	2 Trade Shows per year <sup>80</sup>

79 Source: World Bank (2010)

80 Note: Two (2) trade shows are typically held every year in Belize (prior to Covid-19 constraints): the National Agriculture and Trade Show and the Expo Belize Marketplace.

**Enterprise Level: Capital**

Indicators	Baseline Level
Bank Credit to Private Sector	Bank credit to the private sector as percent of GDP: 63.77% <sup>81</sup>
Ease of getting credit	Ranked 172th out of 190 countries
Number of Agents in MSME Ecosystem	5 organizations/institutions
Number of Licensed Financial Institutions	5 Domestic Banks
Number of Registered Credit Unions	9 credit unions
Number of Licensed MoneyLenders	Single store moneylenders: 28 Master agent moneylenders: 12 Single store pawnbrokers: 21 Master agent pawnbrokers: 6

**Enterprise Level: Capabilities**

Indicators	Baseline Level
Labor Force participation rate	59.7%
Unemployment rate	11.2%
Participation rate of youth and adults in formal and non-formal education and training	Formal Education + TVET Participation= ~33.27%
Number of Education Institutions	630 Institutions
Number of Teachers	~ 5,700 teachers
Percentage of trained teachers	Preschool level: 52.1% Primary level: 82.3% Secondary level: 65.0%
Number of students enrolled	~ 105,604 students
Enrolment by Sex	Males: 52,104 Females: 53,517

81 Source: World Bank (2020)

**Enterprise Level: Capabilities**

Indicators	Baseline Level
Completion rate (primary education, lower secondary education, upper secondary education)	Primary: 96.2% Low Secondary: 69.60% Upper Secondary: 49.4%
Transition Rate (STD 6 to High School)	84.60%
Public spending on education (% of budget)	26.7% of total budget
Number of organizations offering training	3 organizations
TVET Enrolment	TVET Enrolment ~753 (2019) Male: 595, Female 158
Number of TVET Institutions	6 institutions
% of adults who are aware of financial system concepts	46.7%

**Industry Level: Market Structures**

Indicators	Baseline Level
Imports of goods and services as percentage of GDP	55%
GDP per capita	US \$6,046 (2020)
Primary sector share of GDP	Primary sector: 9.8% of GDP
Secondary sector share of GDP	Secondary sector: 12.5%
Tertiary sector share of GDP	Tertiary sector: 62.7%
Employed in agriculture	23,027
Employed in manufacturing	14,846
Employed in construction	11,006
Employed in tourism	11,808
Employed in wholesale and retail trade and repairs	27,031
Employed in transportation and communication	7,747
Employed in real estate, renting and business services	7,974

**Industry Level: Research and Innovation**

Indicators	Baseline Level
Number of local patents per year	No data
Number of college level STEM programs	No data
Number of registered universities	2 Universities
Number of incubator units/ innovation centers	1 incubator unit
Private investment in STEM and innovation	No data
Public investment in STEM and innovation	No data

**National Level: Policy Environment**

Indicators	Baseline Level
World Bank ease of doing business score	55.5 (135th)
Global competitiveness score	n.d.
Global Corruption Perceptions score	3 (99th)82
Economic Freedom Index score	57.5 (114th)
World Governance Indicators score	42.7

**National Level: Financial Markets**

Indicators	Baseline Level
% of adults with a deposit or transaction account at a financial institution	65.5%
% of adults savings via a regulated financial institution	32.5%
% of adults who made or received digital payments in the past year	44.8%
% of financial institution customers that use online or mobile banking	17.2%

**National Level: Financial Markets**

Indicators	Baseline Level
Level of savings	59.5%
Financial Services Available:	Belize's financial system consists of 5 domestic banks, 9 credit unions, 3 international banks and 10 domestic insurance companies
Domestic Banks assets	64.5%
International Banks assets	7.7%
Credit Unions assets	20.4%
Non-bank Financial Institutions assets	5.5%
Domestic Insurance Companies assets	2.0%

**National Level: Infrastructure**

Indicators	Baseline Level
Average price of public transport	n.d.
Public transport usage	n.d.
Investment in Infrastructure	3.9% of GDP (2015)
Passenger and freight volumes, by mode of transport	in 2016 import and export movements were 781,367 and 446,140 tons respectively, distributed between the Port of Belize and the Port of Big Creek
Satisfaction with public transportation	49% (2014)
Rate of electrification	97% rate of electrification in urban areas and 88% in rural areas (2018)
Proportion of population with primary reliance on clean fuels and technology	83.0% (2018)
Proportion of population using (a) safely managed sanitation services and (b) a hand-washing facility with soap and water	87.86% (2017)

**National Level: Infrastructure**

Indicators	Baseline Level
Proportion of domestic and industrial wastewater flows safely treated	The total amount of water discharged is 3,515.98 million liters per year and 2,521.28 million liters (71.1%) are treated (2016)
Internet & mobile service providers	2 providers
Proportion of population covered by a mobile network, by technology	Coverage of (~90%) network connectivity.
Mobile phone penetration as a percentage of the population	85% (2018) <sup>83</sup>
Internet penetration as a percentage of the population	47% (2021) <sup>84</sup>
Percent of population that makes or receives digital payment	28%
Fixed-line monthly broadband cost (% of GNI)	0.96%
Mobile phone cost (prepaid tariff) (% of GNI)	0.43%
Mobile phone cost (postpaid tariff) (% of GNI)	0.67%

**National Level: Labor Force**

Indicators	Baseline Level
Minimum wage	BZ \$3.35
Average social security contributions by employee	2.86%
Average social security contributions by employer	6.14%
Educational attainment of labor force	84.1% <sup>85</sup>
Median labor force income	BZ \$1,020 <sup>86</sup>
Income tax rate	25%
Average social security pension	BZ \$8,236.67

83 Source: World Bank

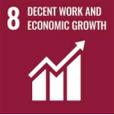
84 Source: World Bank, Internet users for Belize (2021)

85 Source: SIB (As of September 2020)

86 Source: SIB (As of September 2020)

## Annex C: Sustainable Development Goals

SDG	Target	Indicator
	1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day	1.1.1: Proportion of population below the international poverty line, by sex, age, employment status and geographical location (urban/rural)
	1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	1.2.1: Proportion of population living below the national poverty line, by sex and age 1.2.2: Proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions
	1.b: Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions	1.b.1: Proportion of government recurrent and capital spending to sectors that disproportionately benefit women, the poor and vulnerable groups
	5.1: End all forms of discrimination against all women and girls everywhere	5.1.1: Whether or not legal frameworks are in place to promote, enforce and monitor equality and non-discrimination on the basis of sex
	5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	5.5.1: Proportion of women in managerial positions
	5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws	5.a.1: (a) Proportion of total agricultural population with ownership or secure rights over agricultural land, by sex; and (b) share of women among owners or rights-bearers of agricultural land, by type of tenure
	5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women	5.b.1: Proportion of individuals who own a mobile telephone, by sex

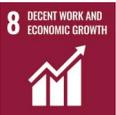
SDG	Target	Indicator
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries	8.1.1: Annual growth rate of real GDP per capita
	8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	8.2.1: Annual growth rate of real GDP per employed person
	8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	8.3.1: Proportion of informal employment in non-agriculture employment, by sex
	8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	8.5.1: Average hourly earnings of female and male employees, by occupation, age and persons with disabilities 8.5.2: Unemployment rate, by sex, age and persons with disabilities
	8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training	8.6: Proportion of youth (aged 15-24 years) not in education, employment or training
	8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all	8.10.1: Number of commercial bank branches and automated teller machines (ATMs) per 100,000 adults 8.10.2: Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provide

SDG	Target	Indicator
	<p>9.2: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p>	<p>9.2.1: Manufacturing value added as a proportion of GDP and per capita</p> <p>9.2.2: Manufacturing employment as a proportion of total employment</p>
	<p>9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>	<p>9.3.1: Proportion of small-scale industries in total industry value added</p> <p>9.3.2: Proportion of small-scale industries with a loan or line of credit</p>
	<p>9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>	<p>9.4.1: CO2 emission per unit of value added</p>
	<p>9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending</p>	<p>9.5.1: Research and development expenditure as a proportion of GDP</p> <p>9.5.2: Researchers (in full-time equivalent) per million inhabitants</p>
	<p>9.b: Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities</p>	<p>9.b.1: Proportion of medium and high-tech industry value added in total value added</p>
	<p>9.c: Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020</p>	<p>9.c.1: Proportion of population covered by a mobile network, by technology</p>

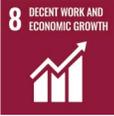
SDG	Target	Indicator
 10 REDUCED INEQUALITIES	10.1: By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average	10.1.1: Growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population
	10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	10.2.1: Proportion of people living below 50 per cent of median income, by age, sex and persons with disabilities
	10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality	10.4.1: Labor share of GDP Redistributive impact of fiscal policy
 13 CLIMATE ACTION	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	13.1.1: Number of deaths, missing persons and directly affected persons attributed to disasters per 100,000 population
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.3: Promote the rule of law at the national and international levels and ensure equal access to justice for all	16.3.3: Proportion of the population who have experienced a dispute in the past two years and who accessed a formal or informal dispute resolution mechanism, by type of mechanism
	16.5: Substantially reduce corruption and bribery in all their forms	16.5.1: Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official, or were asked for a bribe by those public officials, during the previous 12 months  16.5.2: Proportion of businesses that had at least one contact with a public official and that paid a bribe to a public official, or were asked for a bribe by those public officials during the previous 12 months
	16.b: Promote and enforce non-discriminatory laws and policies for sustainable development	16.b.1: Proportion of population reporting having personally felt discriminated against or harassed in the previous 12 months on the basis of a ground of discrimination prohibited under international human rights law

SDG	Target	Indicator
	17.6: Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism	17.6.1: Fixed Internet broadband subscriptions per 100 inhabitants, by speed
	17.11: Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020	17.11.1: Developing countries' and least developed countries' share of global exports
	17.14: Enhance policy coherence for sustainable development	17.14.1: Number of countries with mechanisms in place to enhance policy coherence of sustainable development

### Annex D: PlanBelize Objectives<sup>87</sup>

No.	Goal	Targets	SDGs
1	<b>Poverty Reduction</b>	Reduce the poverty rate by half, from an estimated 50% to 25% of the population, in 10 years (due to Covid-19, the poverty rate may be at least 60%)	
2	<b>Improve Quality of Life</b>	Raise the minimum wage from \$3.25 to at least \$5.00 per hour, in 5 years - and increase per-capita and family incomes to a level above the poverty baseline.	 
3	<b>Expand Access to Housing</b>	Contribute to building at least 10,000 robust, concrete houses designed to be affordable for different target groups.	

87 Source: Consultation with representatives from the Ministry of Economic Development. December 2, 2021.

No.	Goal	Targets	SDGs
4	<b>Economic Transformation and Growth</b>	Grow the national economy by at least at 5% per annum (Covid-19 brought down the annual growth rate by at least 13% in 2020)	
5	<b>Job Creation</b>	Create 50,000 jobs in 5 years, thereby reducing the unemployment rate of women, the youth and others marginalized to a rate below 5% per annum.	
6	<b>Boost Competitiveness</b>	Reduce the trade deficit by at least 50% in 10 years; in 2019 value imports were 50% of the GDP and the trade deficit was \$1.52 billion. Covid-19 reduced both imports and exports in 2020.	
7	<b>Enhance Citizen Security</b>	Minimize the rates of robbery, home invasion, crime, violence against women, drug trafficking, police brutality, road accidents, border incursions and illegal exploitation of natural resources by adding 4,000 police officers, abolishing the GSU, deploying a border protection force	 
8	<b>Reduce Illegal Immigration</b>	Regularize and standardize the citizenship and permanent residency processes in the country	
9	<b>Protect the Environment</b>	Carefully manage the Meso-American Reef System, the natural reserves, coastal and marine resources for the sustainable development of Belize; protecting, restoring and promoting sustainable use of our natural forest ecosystems, halting land degradation and biodiversity loss, and mitigating climate change impacts.	 
10	<b>Stop Corruption</b>	Making governance structures work to ensure compliance with the code of ethics, laws, regulations of Belize and the UNCAC; eliminating structures or programs that circumvent GoB regulations (e.g. BIL); enacting elections and campaign financing reforms; and appointing more women in positions of leadership and management across the public sector, and advocating for the same in other sectors of society where women are underrepresented.	





