

**BELIZE TRADE AND INVESTMENT DEVELOPMENT  
SERVICES**  
(BELTRAIDE)

**Belize MSME Policy and Strategy Report**

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## ***LIST OF ABBREVIATIONS***

|           |   |
|-----------|---|
| ADE       | Agency (or Authority) for the Development of Enterprise |
| BAHA      | Belize Agricultural Health Authority                    |
| BBS       | Belize Bureau of Standards                              |
| BCCI      | Belize Chamber of Commerce and Industry                 |
| BELTRAIDE | Belize Trade and Investment Development Services        |
| BEST      | Belize Enterprise for Sustained Technology              |
| BIM       | Belize Institute of Management                          |
| BMDC      | Belize Marketing and Development Corporation            |
| BRWA      | Belize Rural Women Association                          |
| BSO       | Business Support Organisation                           |
| BTB       | Belize Tourism Board                                    |
| CARICOM   | Caribbean Community                                     |
| CDB       | Caribbean Development Bank                              |
| CDF       | CARICOM Development Fund                                |
| CRS       | CARICOM Regional Standard                               |
| CSME      | CARICOM Single Market and Economy                       |
| DFC       | Development Finance Corporation                         |
| EDP       | Entrepreneurial Development Programmes                  |
| EPA       | Economic Partnership Agreement                          |
| EPZ       | Export Processing Zone                                  |
| FAO       | Food and Agriculture Organisation                       |
| GOB       | Government of Belize                                    |
| IADB      | Inter American Development Bank                         |
| ICT       | Information and Communication Technology                |

|       |  |
|-------|--|
| IFAD  | International Fund for Agriculture Development                 |
| IICA  | Inter-American Institute for Cooperation on Agriculture        |
| ILO   | International Labour Organisation                              |
| ITVET | Institutes for Technical and Vocational Education and Training |
| MSME  | Micro, Small and Medium-Sized Enterprises                      |
| NES   | National Export Strategy                                       |
| NGO   | Non Government Organisation                                    |
| OECD  | Organisation for Economic Cooperation and Development          |
| PFI   | Participating Financial Institution                            |
| SBDC  | Small Business Development Centers                             |
| SME   | Small and Medium Enterprises                                   |
| SIB   | Statistical Institute of Belize                                |
| SICA  | Central American Integration System                            |
| SSB   | Social Security Board  |
| UB    | University of Belize   |
| UTECH | University of Technology (Jamaica)                             |
| VOIP  | Voice over Internet Protocol                                   |
| WTO   | World Trade Organisation                                       |
| YBT   | Youth Business Trust   |

## Executive Summary

This Micro, Small and Medium Enterprise (MSME) Policy and Strategy was prepared after extensive consultations with MSME Business Support Organisations (BSOs), MSME owners, managers and employees under the auspices of the Belize Trade and Investment Development Service (BELTRAIDE) with financial support from the CARICOM Development Fund (CDF). Although this is a standalone policy, it fits into and dovetails with the Government of Belize (GOB) macro policy framework for export and private sector development<sup>1</sup>.

BELTRAIDE was established with the vision to promote economic development through investment promotion. Its mission is to facilitate inward and outward investments by establishing effective public and private sector networks, maintaining accurate statistics on the economy, administering the Fiscal Incentives Program, and guiding local and international investors on establishing a business in Belize. There are eight (8) major legislative measures providing fiscal and operational benefits to companies. There is none specific to MSMEs.

Belize is an economy comprising mainly MSMEs. It is estimated that MSMEs generate over 70% of private sector employment and incomes, and contribute significantly to the GDP. However, there is concern that the sector has not been able to realize its full potential; failure rate in some sectors could be as high as 80% of new entrants. MSMEs continue to suffer from a number of weaknesses, which limit their ability to take full advantage of economic opportunities in the local, regional and extra regional markets. The areas of constraints are normally identified as poor policy and regulatory environment, limited access to finance, market access and competitiveness and the availability of quality business support services.

In terms of the macro economy, the Belize Super Bond makes up 50% of the Country's debt and 40% of GDP. Belize is the 13<sup>th</sup> most indebted Country in the world. In 2011, merchandise trade imports exceeded exports by 141% representing an annual trade imbalance of BZE\$974 million.

Belize is a member of the World Trade Organization (WTO), the Caribbean Community (CARICOM), and the Central American Integration System (SICA). It is a signatory to several preferential agreements such as the Caribbean Basin Initiative (CBI), the Caribbean-Canada Trade Agreement, and The European Union Economic Partnership Agreement (EPA). These agreements provide both opportunities and challenges for industry in Belize.

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<sup>1</sup> It is recommended that, with BELTRAIDE / GOB approval this be amended to read "This MSME Policy and Strategies form the core of the private sector development and economic growth/development approaches of the Government of Belize".

Promotion of MSMEs will contribute to improving the competitiveness of the Belizean economy, generate additional quality employment and improve the quality and range of goods and services available on the local market. A thriving Micro Small and Medium Enterprise (MSME) sector is widely recognized as one of the key characteristics of any prosperous and growing economy. Micro enterprises are particularly crucial for the alleviation of (rural) poverty.

In order to move forward, a common vision for the development of MSMEs to be the real engine of growth is required. This will involve the formulation of a Strategy and Policy for MSME development. In pursuit of this policy and strategy, the CARICOM Development Fund (CDF) provided financial assistance to support the Government of Belize (GOB) to develop an MSME Policy and Strategy. The vision is to develop a conducive business environment that will lead to a competitive MSME sector, contributing to the creation of quality employment and improving the quality and range of goods and services available to Belizeans.

## Why MSMEs?

An SME Policy and Legislation Study<sup>2</sup> commissioned by the ILO and conducted in 1995 pointed out that MSMEs make a significant contribution to income growth and job creation in Belize and the wider Caribbean. The report further pointed out that there is a growing recognition of the need to support the sector as a means of ensuring macroeconomic stability, generating wealth and reducing poverty. A vibrant MSME sector means more equitable distribution of wealth, greater development of skills, better utilization of resources and the development of appropriate technology.

MSMEs are important to the creation of employment, generation of increased income, the reduction of poverty, sustaining macroeconomic growth. Particularly, MSMEs are a key source of employment for women, youth and the rural poor. It has been estimated that, region-wide, MSMEs:

1. Account for nearly 50% of all jobs created.
2. Account, in agriculture, for over 70% of main export crops and an even higher proportion of domestic food crops.
3. Play a leading role in the production and marketing of agricultural produce.
4. Provide transportation and other tour guide services for tourists.
5. Lead in some manufacturing sub-sectors such as wood products, garments and sewn goods and handicraft items.
6. Play a lead role in construction, equipment repairs and maintenance, technical services, food and in the retail trade.

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<sup>2</sup> Seepersaud, M: SME Policy and Legislation Study. ILO. 1995

The sector has the potential for creating backward and forward economic linkages; to reduce foreign currency expenditure; to utilise local raw material inputs; and, generally, to enhance social and economic conditions.

A survey of 100 MSMEs conducted during the course of developing this Policy and Strategy document provides an insight into the following demographics:

- 43% of respondents were women
- 26% of respondents were youth (below the age of 35 years)
- 45% of respondents described themselves as Mestizo/Hispanic
- 61% of respondents limit their operations to the community or district in which they live
- 72% of respondents indicated that their business was registered
- 56% of respondents said that there were sole traders, 12% partnerships and 26% registered companies.

The same survey combined with responses from MSME consultations identified the following priority issues:

1. Access and cost of financing
2. Markets and marketing
3. High cost of doing business
4. Business support services, including education and training, technical assistance and extension services (agriculture)

The sector also suffers for deficient knowledge products, management weaknesses, quality and productivity issues and poor IT infrastructure. The situation facing women, youth, small farmers and persons with disabilities are particularly acute. As a result, the mortality rate in the sector could be quite high. The ILO study further suggested that a strategy for the development of the sector must carefully consider the objective realities and must address the following areas:

- The traditional policy neglect.
- Too little appreciation of the impact of overall policy in creating the environment for MSME development.
- Effectiveness of the delivery mechanism with regard to credit, technical assistance and training.
- Lack of information relevant to the sector and lack of access to technology appropriate to the needs of the sector.
- The acute absence of research, studies and analyses of the problems of MSME development.
- The acute absence of entrepreneurial development programs.
- Cultural and educational blocks to entrepreneurial development and the negative stigma usually attached to MSMEs.
- Institutional fragmentation and exclusion of MSMEs from incentives and concessions for varying reasons.

The MSME Policy and Strategy must be well coordinated with all of the agencies and

sectors involved and that it must be geared to create the enabling environment to stimulate, support and sustain MSME productive activity.

## The Policy

This Policy was developed with two primary considerations in mind.

1. The Policy must reflect regional and international best practices;
2. The Policy must be demand driven, that is, reflective of the needs of the sector and the actual business environment in Belize.

The overarching goal of this Policy is to reduce poverty by promoting wealth creation and decreasing income inequality. In this regard, the objectives of this Policy are to:

- Increase the flow of capital to MSMEs;
- Enhance the business and entrepreneurial skills of MSME owners/managers;
- Promote market access and competitiveness of MSMEs; and
- Enable MSMEs to access the resources (human, technological, financial) needed to respond to economic opportunities.

MSMEs are defined on the basis of full time employment, annual sales, investment in plant and equipment and manufacturing space. The main purpose of adopting a set definition is to ensure that policies are targeted to a defined sector with accompanying characteristics<sup>3</sup>.

| Type of Enterprise | Employees (Full Time)        | Annual Sales (Belize \$) | Investment | Manufacturing Space (m <sup>2</sup> ) |
|--------------------|------------------------------|--------------------------|------------|---------------------------------------|
| Micro              | Owner manager - <5 employees | <100k                    | <50k       | na                                    |
| Small              | 5 - 19 employees             | <500k                    | <150k      | <372 (4004 sq ft)                     |
| Medium             | 20 - 50 employees            | <1.5 million             | <500k      | <557 (5995 sq ft)                     |

<sup>3</sup> By comparison: In Guyana: A Small Business must satisfy any 2 of the following characteristics:

- a) Employ not more than 25 persons
- b) Has gross annual revenues of not more than US\$300,000
- c) Has total business assess of not more than US\$100,000

**In Jamaica:** Micro Enterprises are regarded as having less than 10 employees and annual turnover less than US\$125,000. Small Enterprises are regarded as having less than 10 employees and an annual turnover of between US\$125,000 and US\$1.0 million.

The Policy should focus on four pillars of the business climate that are of primary importance to MSMEs:

- i. Legislative and regulatory framework;
- ii. Increase flow of capital;
- iii. Market access and competitiveness; and
- iv. Develop business skills and knowledge through education and training.

The illustration below lists the main objectives for each element of micro-enterprises and for small and medium enterprises.

|                          | <b>Legislative and regulatory framework</b>             | <b>Increase flow of capital</b>                  | <b>Market access and competitiveness</b>                         | <b>Education and training</b>                      |
|--------------------------|---|--|--|--|
| <b>Micro-enterprises</b> | Bring into the formal sector                            | Expand micro-finance                             | Build linkages and value chains                                  | Build entrepreneurship                             |
| <b>SMEs</b>              | Legislative framework to support and sustain the sector | Increase access to affordable financial services | Value chains, market access, market information, competitiveness | Build business skills and knowledge and ICT skills |

There are four (4) crosscutting themes that merit special attention:

- Building an entrepreneurial culture, particularly focusing on young people.
- Information flow as it relates to markets, non-tariff barriers and regulations and rules affecting business.
- Promoting Information and Communication Technology at each stage in the value chain.
- Rationalising the provision of business support and information services to the sector.

## Implementation

Successful implementation of the MSME Policy and Strategy requires an effective working relationship between the public and the private sector, involvement of a multiplicity of public and private sector agencies and NGOs and effective leadership. The international donor community has an important role.

The proposed Belize Agency for the Development of Enterprise (*Belize ADE*)<sup>4</sup> will play the lead role in implementation. This body should preferably be a statutory

<sup>4</sup> Several options for a coordinating body were considered. These include: (1) allocating this role to BELTRAIDE; (2) Establishing an MSME unit within the subject Ministry; (3) creating a Ministry for MSME development.

body or at least a semi-autonomous body under the Ministry of Trade, Commerce and Industry (however named). It should be adequately resourced (staffed and funded). There should be no expectation of self-financing and user fees are not envisaged. *Belize ADE* will be established under the *MSME Development Act* which will also provide the legislative framework for supporting the sector.

*Belize ADE* will:

1. Coordinate the provision of support services to the sector
2. Assist service providers to improve and expand their services.
3. Lobby on behalf of MSMEs.
4. Execute the provisions of the MSME Development Act.
5. Mobilise affordable financial service.
6. Provide technical assistance in marketing, product development, ICT and skills training

The MSME Development Act will:

1. Establish *Belize ADE* as a facilitating and coordinating body for MSME development.
2. Provide for the application and registration of approved MSMEs.
3. Codify fiscal and other incentives to the sector.
4. Make provision for credit and micro-financing.
5. Ensure compliance with multilateral trade agreements and obligations.

## 1.0 Introduction

### 1.1 Overview

The preparation of this MSME Policy and Strategy document was facilitated by BELTRAIDE with financial support from the CDF. The development of this Policy and Strategy Document was guided by the need to:

1. Develop a coherent Micro, Small and Medium Enterprise (MSME) Policy and Strategy.
2. Provide technical information for incorporation into an MSME Development Act.
3. Achieve consensus on the definition of MSMEs.
4. Prioritize key development programs and recommend an appropriate monitoring and evaluation system

Policy positions taken in this document were reached after extensive consultation with more than 17 BSOs drawn from the Public, Private and NGO sectors. Several consultations were conducted in the major districts attracting 130 participants of which over 80% were MSMEs. In addition, an MSME questionnaire was completed by 100 MSMEs. This document is also influenced by the work which was undertaken previously in Belize and practices in CARICOM member states, Africa, Asia and other parts of the world. The involvement of stakeholders is the cornerstone of the policy and strategy development and validation process.

The Belize Trade and Investment Development Service (BELTRAIDE) was established with the vision to promote economic development through investment promotion. Its mission is to facilitate inward and outward investments by establishing effective public and private sector networks, maintaining accurate statistics on the economy, administering the Fiscal Incentives Program, and guiding local and international investors on establishing a business in Belize. There are eight (8) major legislative measures providing fiscal and operational benefits to companies. There is no MSME Development Act!

Belize is an economy comprising mainly of MSMEs. It is estimated that MSMEs generate over 70% of private sector employment and incomes, and contribute significantly to the GDP. However, there is concern that the sector has not been able to realize its full potential; failure rate in some sectors could be as high as 80% of new entrants. MSMEs continue to suffer from a number of weaknesses, which limit their ability to take full advantage of economic opportunities in the local,

regional and extra regional markets. The areas of constraints are normally identified as poor policy and regulatory environment, limited access to finance, and the availability of quality business support services.

In terms of the macro economy, the Belize Super Bond makes up 50% of the Country's debt and 40% of GDP. Belize is the 13<sup>th</sup> most indebted Country in the world. In 2011, merchandise trade imports exceeded exports by 141% representing an annual trade imbalance of BZE\$974 million.

Belize is a member of the World Trade Organization (WTO), the Caribbean Community (CARICOM), and the Central American Integration System (SICA). It is a signatory to several preferential agreements such as the Caribbean Basin Initiative (CBI), the Caribbean-Canada Trade Agreement, and The European Union Economic Partnership Agreement (EPA). These agreements provide both opportunities and challenges for industry in Belize.

Promotion of Micro, Small and Medium Enterprises (MSMEs) will improve the competitiveness of the Belizean economy, generate additional quality employment, improve the quality and range of goods and services available on the local market and improve the overall quality of life for Belizeans. A thriving Micro Small and Medium Enterprise (MSME) sector is widely recognized as one of the key characteristics of any prosperous and growing economy.

In order to move forward, a common vision for the development of MSMEs to be the real engine of growth is required. This involves the formulation of a Strategy and Policy for MSME development. In pursuit of this policy and strategy, the CARICOM Development Fund (CDF) provided financial assistance to support the Government of Belize (GOB) to develop an MSME Policy and Strategy. The vision is to develop a conducive business environment that will lead to a competitive MSME sector, contributing to the creation of quality employment and improving the quality and range of goods and services available to Belizeans. The MSME Policy and Strategy took into account an existing draft MSME development policy developed in 2006 and revised in 2008. The methodology involved a series of consultations, endorsement and validation activities and a final national symposium.

This Policy and Strategy document is the foundation for the development of the MSME sector. Implementation will create the enabling environment to support and sustain the sector and, as a result, achieve the overall goal of addressing rural and urban poverty, increasing employment, creating wealth and ensuring a more equitable distribution of income. As the Government of Belize, through BELTRAIDE, continues to create opportunities for investment promotion, market access and competitiveness, value chain development, and facilitation of technology and knowledge transfer, its work is strengthened by this Policy and Strategy document which is demand driven and provides for measurable and practical implementation.

## 1.2 Structure of this Document

This document has four (4) sections:

1. Section 1, *Introduction*, provides a background and overview of the study and makes a case for supporting MSME.
2. Section 2, entitled "*Policies and Strategies*", provides, for each policy recommended, policy objectives and associated strategies. It begins with a proposed definition of the sector.
3. Section 3, "*Legislative Issues*", addresses those areas that require codification and includes an MSME Development Act as an annex.
4. Section 4, entitled "Implementation", provides a framework for implementation, monitoring and evaluation.

The document is supported by annexes and appendices.

## 1.3 The MSME Sector in Context

Recent empirical studies done by the OECD show that MSMEs contribute over 55% of GDP and over 65% of total employment in high-income countries and over 60% of GDP and over 70% of total employment in low income countries. These studies also showed that MSMEs contribute over 95% of total employment and about 70% of GDP in middle-income countries<sup>5</sup>. An ILO study done in 1995 covering Belize, Jamaica, Trinidad and Tobago and Guyana pointed out that MSMEs make a significant contribution to income growth and job creation in these Countries. The report further pointed out that there is a growing recognition of the need to support the sector as a means of ensuring macroeconomic stability. A vibrant MSME sector means more equitable distribution of wealth, greater development of skills, better utilization of resources and the development of appropriate technology.

MSMEs are important to the creation of employment, generation of increased income, the reduction of poverty and sustained economic growth. MSMEs are also a key source of employment for women, youth and the rural poor. The sector has the potential for creating backward and forward economic linkages; reduce foreign currency expenditure; utilise local raw material inputs; and, generally, enhance social and economic conditions.

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<sup>5</sup> Davis H. Enabling MSMEs with Business Information. Jamaica Business Development Company (undated)

There are no hard, empirical data for Belize and the region. However, it has been estimated that, region-wide, MSMEs:

- Account for over 50% of all jobs created.
- Account, in agriculture, for over 70% of main export crops and an even higher proportion of domestic food crops.
- Play a leading role in the production and marketing of agricultural produce.
- Provide transportation and other tour guide services for tourists.
- Lead in some manufacturing sub-sectors such as wood products, garments and sewn goods and handicraft items.
- Play a lead role in construction, equipment repairs and maintenance, technical services, food and in the retail trade.

In Belize, the Social Security Board data gives the number of active businesses in Belize at 10,641. Extrapolating from 2008 figures, we can estimate that 99% of these businesses employ less than 199<sup>6</sup> persons and 1,200 (11%) are “self-employed”. The Ministry of Agriculture estimates that there are 19,500 farmers of whom 11,000 are small and medium and the balance are operating at the micro or subsistence levels<sup>7</sup>. A study done by the Inter-American Development Bank (IADB) in 2001 estimated the number of micro and small businesses at 17,000 contributing 45% of GDP and 32% of total employment<sup>8</sup>. A survey of 100 MSMEs conducted during the course of developing this Policy and Strategy document provides an insight into the following demographics:

- 43% of respondents were women
- 26% of respondents were youth (below the age of 35 years)
- 45% of respondents described themselves as Mestizo/Hispanic
- 61% of respondents limit their operations to the community or district in which they live
- 72% of respondents indicated that their business was registered
- 56% of respondents said that there were sole traders, 12% partnerships and 26% registered companies.

The same survey combined with responses from MSME consultations identified the following priority issues:

5. Access and cost of financing
6. Markets and marketing
7. High cost of doing business
8. Business support services, including education and training, technical assistance and extension services (agriculture)

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<sup>6</sup> SSB definition of a small business.

<sup>7</sup> Information obtained for interview with Mr. Roberto Harrison, Ministry of Agriculture and Fisheries.

<sup>8</sup> Wenner, M., Chalmers, G., Microfinance Issues and Challenges in the Anglophone Caribbean. Inter American Development Bank, 2001, pg. 2.

9. Availability and cost of raw materials
10. Government bureaucracy, regulations, legislation and support/incentives
11. Crime, corruption and political interference
12. Attitude of Belizeans towards local products
13. Infrastructure (access roads, transportation)
14. Lack of cooperation among MSMEs, including duplication of products and services
15. Fragmented support structure
16. Poor ICT penetration

The sector also suffers for deficient knowledge products, management weaknesses, quality and productivity issues and poor IT infrastructure. The situation facing women, youth, small farmers and persons with disabilities are particularly acute. As a result, the mortality rate in the sector could be quite high.

The ILO report further suggested that a strategy for the development of the sector must carefully consider the objective realities and must address the following areas:

1. The traditional policy neglect.
2. Too little appreciation of the impact of overall policy in creating the environment for MSME development.
3. Effectiveness of the delivery mechanism with regard to credit, technical assistance and training.
4. Lack of information relevant to the sector and lack of access to technology appropriate to the needs of the sector.
5. The acute absence of research, studies and analyses of the problems of MSME development.
6. The acute absence of entrepreneurial development programs.
7. Cultural and educational blocks to entrepreneurial development and the negative stigma usually attached to MSMEs.
8. Institutional fragmentation and exclusion of MSMEs from incentives and concessions for varying reasons.

An MSME Policy and Strategy must be well coordinated with all of the agencies and sectors involved and must be geared to create the enabling environment to stimulate, support and sustain MSME productive activity.

## 2.0 Policies and Strategies

This section begins with a description of the underlying principles that drove the development of the policy initiatives and strategies described in the sub-section. The definitional framework is then laid out and finally the core elements of the Policy, accompanied by the objectives of the Policy and the strategies associated with each Policy element. Implementation must give special attention to the more vulnerable groups including women, youths and the rural poor.

### 2.1 Conceptual Framework

Four (4) primary considerations underpinned the development of the MSME Policy.

1. The Policy must support, rather than distort, market forces and level the playing field for all players. It must not benefit a sub-grouping to the exclusion of other groups. In this regard, Government support for the sector must be transparent, placed within a legal framework and utilise legitimate service delivery channels. Government intervention should not be to micro-manage but limited to the creation of a transparent enabling environment for the sustained development of MSME.
2. The Policy must be demand driven and tailored to the needs of MSMEs in Belize and reflective of the cultural and demographic character of the country. Further, in addressing the needs of the sector, the need to strengthen linkages within the sector and integrate the sector in the larger economy will be realised.
3. The Policy must bring micro enterprises, and unregistered SMEs, into the formal sector without fear of financial penalty.
4. Implementation of the policy must be done so as not to violate bilateral and multilateral agreements and commitments under the CSME, WTO and EPA.

The dynamics of the local environment in a global context demands that the Policies and Strategies laid out in this document be reviewed from time to time. Lessons learned from implementation will be invaluable.

The Policy objectives are consistent with the GOB's overarching goals of reducing poverty, creating employment and wealth and increasing income equality. This will be achieved through four (4) integrated objectives:

- To increase the flow of capital to MSMEs;

- To enhance the skills of MSME owners and managers;
- To promote market access and competitiveness;
- To codify fiscal, monetary, organisational and other incentives to the sector.

## 2.2 Definitional Framework

A definitional framework is critical to categorize the MSME sector so as to classify the basic support elements to be considered in advancing the sector. A clear definition of the sector ensures that the assistance reaches the target group and is not diverted to larger enterprises that are better endowed financially and otherwise. These definitions should be used as a guide by policy makers and not implemented rigidly. It may be necessary to adjust these parameters as part of the lessons learned from Policy implementation.

In arriving at the definitions, four (4) benchmarks were identified, namely:

- Number of employees
- Annual sales/turnover
- Investment in plant and equipment
- Size of manufacturing area

Based on the submissions at the MSME consultations, existing definitional frameworks in Belize, regional and international benchmarks and a study of the existing literature, the adoption of the basic *formula* of the CARICOM harmonised standard entitled "Good Management Practices for MSMEs" (CRS 14 2010) is recommended. The recommended parameters are outlined below (in Belize Dollars):

- **micro-sized enterprise**
  - owner managed with fewer than 5 full-time employees or less than \$50,000 investment in equipment; and
  - less than \$100,000 in annual sales.
- **small-sized enterprise**
  - fewer than 20 full-time employees or less than 371.612 m<sup>2</sup> (4004 sq ft) of manufacturing area; and
  - less than \$150,000 investment in equipment or less than \$500,000 annual sales
- **medium-sized enterprise**
  - 20 to 50 full-time employees or 371.612 m<sup>2</sup> to 557.418 m<sup>2</sup> (5995 sq ft) of manufacturing area; and

- o \$150,000 to \$500,000 investment in equipment or \$500,000 to \$1.5 million annual sales

It is further recommended as follows:

1. For farming, the following parameters for acreage be used to replace manufacturing area:
  - a) Grazing animals: small: 6-30 acres; medium: 31—60 acres.
  - b) Poultry: small: 0.5 acres; medium: 1 acre.
  - c) Vegetables: small: 2 acres; medium: 3 acres.
2. For services (other than Tourism), employment and annual sales only.

Notwithstanding these definitions, MSMEs, as defined, cannot be a part of or a subsidiary of a large firm or hold investments of large entrepreneurs as defined by the competent authority.

Although generally described as one group (MSMEs), there are indeed 2 distinctive groupings. Micro-enterprises are smaller owner-managed businesses employing primarily family labour and a few full or part-time employees. They operate largely in the informal sector. SMEs (Small and Medium Enterprises) are generally more organised, have paid employees and more complex business systems. SMEs have a greater need for capital and are normally registered as sole proprietors, partnerships or companies.

## 2.3 Policy and Strategy Recommendations

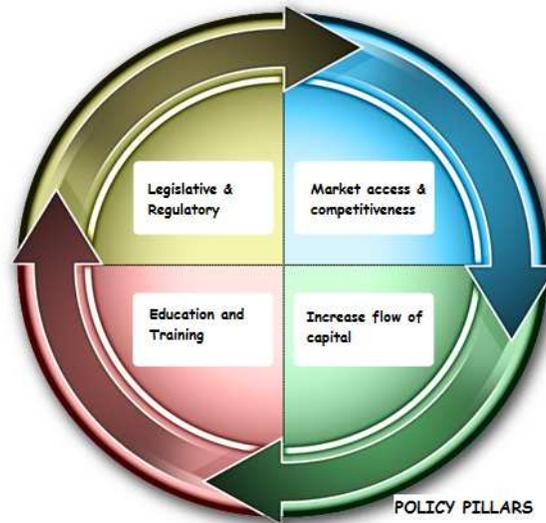
Policy and Strategy recommendations contained herein focus on the prioritised issues collated from the extensive consultations undertaken and are formulated to respond to these issues. The elements selected for inclusion in this Policy were chosen for their capacity to increase the number of *productive, competitive* MSMEs and not simply to increase their total numbers.

The Policy should focus on four pillars of the business climate that are of primary importance to MSMEs:

- ✓ Legislative and regulatory framework;
- ✓ Increase flow of capital;
- ✓ Market access and competitiveness; and
- ✓ Develop of business skills and knowledge through education and training.

The illustration below lists the main objectives of each element for micro-enterprises and for small and medium enterprises.

|                          | Legislative and regulatory framework                    | Increase flow of capital                         | Market access and competitiveness                                | Education and training                             |
|--------------------------|---|--|--|--|
| <b>Micro-enterprises</b> | Bring into the formal sector                            | Expand micro-finance                             | Build linkages and value chains                                  | Build entrepreneurship                             |
| <b>SMEs</b>              | Legislative framework to support and sustain the sector | Increase access to affordable financial services | Value chains, market access, market information, competitiveness | Build business skills and knowledge and ICT skills |



There are four (4) cross-cutting themes that merit special attention:

- Building an entrepreneurial culture, particularly focusing on young people.
- Information flow as it relates to markets, non-tariff barriers and regulations and rules affecting business.
- Promoting Information and Communication Technology at each stage in the value chain.
- Coordinating the provision of business support and information services to the sector.

The four-pillar framework for MSME development is set out below. For additional programs, activities and measures proposed by MSMEs see Annex 6.

### 2.3.1. Legislative and Regulatory Framework

#### Issue

The key issue here is the absence of a legislative framework specific to the sector. In addition, administrative requirements such as business and tax registration, environmental and other approvals, licensing arrangements all work against the

sector since MSMEs lack the human and administrative capability to deal with the complex paperwork. Most MSMEs are intimidated by Government bureaucracy and paperwork and, therefore, either do not comply with regulations or fail to access available incentives. MSMEs are also unable to fulfill bureaucratic requirements due to poor record keeping and low educational levels. Fiscal incentives, invariably designed for larger operators, are beyond the reach of MSMEs either because of the administrative difficulties involved or legal restrictions such as the requirement to be registered as a company. Finally, support to the sector, from both the policy and operational perspective, is too fragmented. In some cases several Government Ministries and Departments, NGOs, financial institutions are involved and the activities of the agencies supporting the sector are not well coordinated.

## **Overall**

*Policy Objective:* To provide the legislative framework to stimulate, support and sustain the sector

*Policy Statement:* Government will establish a transparent legal framework for the implementation of an incentive regime and the provision and coordination of support services

### *Strategies:*

- i. Enact an MSME Development Act that will define an MSME, establish the policy framework/guidelines for the development and regulation of the sector.
- ii. Establish, through the Act, an MSME Policy implementation organ to be called the Belize Agency for the Development of Enterprise (Belize ADE).
- iii. Introduce an MSME category in the national accounts so that data on the sector can be collected and disseminated and encourage financial institutions to collect data on the sector.
- iv. Reduce the bureaucracy and paperwork to access credit. Micro credit applications should be no more than one (1) page and the turnaround time for micro financing approvals should be no more than three (3) days

## **Microenterprises**

*Policy Objective:* To bring micro-enterprises into the formal sector

*Policy Statement:* Micro-enterprises will be required to register with Belize ADE, at no cost, in order to benefit from fiscal and monetary incentives

### *Strategies:*

- i. Exempt micro-enterprises from all forms of taxation
- ii. Reduce, or eliminate, the cost of business registration (and licensing) and simplify the process
- iii. Allow registration (and licensing) to be done through Belize ADE

### **SMEs**

*Policy Objective:* To reduce unnecessary legal and regulatory burden placed on SMEs in doing business

*Policy Statement:* Reduce the time and cost to SMEs for complying with laws and regulations

### *Strategies:*

- i. Establish a business registry at Belize ADE
- ii. Restructure tax rates for SMEs and provide tax incentives for investment in priority sectors and geographic areas
- iii. Relax the requirement for compliance with environmental, BAHA and other regulations in terms of paperwork and approval time
- iv. Presume that laws are complied with if the SME is certified to an appropriate standard
- v. Improve the dissemination of legal/regulatory information using channels that provide easy access to SMEs.
- vi. Provide the legal basis for set-aside Government procurement so that MSMEs will benefit from a fair share of public procurement of goods and services.
- vii. Codify fiscal and monetary incentives for the sector.
- viii. The regulatory mechanism for tax compliance should reflect the special status of MSMEs. A moratorium should be offered to SMEs.

### 2.3.2. Increase Flow of Capital

#### Issue

The issue here is access to and affordability of capital. Although there seems to be no shortage of micro-finance, access to capital remains constrained by:

- low capitalization
- lack of collateral security
- aversion of traditional financial intermediaries to lend to the sector
- high administrative costs of small loans
- high cost of loan financing
- disincentives to equity financing

There is also the on-going complaint that the cost of financing is high. Venture capital is nonexistent. Women, youths and small farmers are particularly vulnerable.

#### Microenterprises

*Policy Objective:* To provide access to affordable micro-finance

*Policy Statement:* Promote the growth of micro-finance institutions (Credit Unions, DFC, NGOs) and micro-credit windows at Commercial Banks

#### *Strategies:*

- i. Provide low interest capital to micro-finance institutions for on-lending at rates of 2% below commercial but not exceeding 8%-10% amortised.
- ii. Reduce the paperwork and turnaround time for application, approval and disbursement of loans
- iii. Encourage the use of comakers (co-signers) and other alternative to fixed-asset collateral
- iv. Support the growth of Credit Unions as the primary vehicle for micro-credit
- v. Train credit officers to engage with micro-entrepreneurs

#### SMEs

*Policy Objective:* To provide greater access to affordable financing

*Policy Statement:* Reduce the costs and risks of lending to the sector

*Strategies:*

- i. Establish a loan guarantee program with participating financial institutions.
- ii. Promote equity financing of SMEs either directly or through tax credits through a venture capital fund and provide incentives for investing in this fund. Provide tax relief for investments of up to \$100,000 in approved MSMEs.
- iii. Institute a credit reporting system to provide information about potential borrowers in a timely and cost-efficient manner. This information will be used to determine credit risk and facilitate access for credit-worthy clients.
- iv. Access low cost funding from external sources such as CDB, FAO, IFAD, CaribExport, IDB, etc., for on-lending to the sector at rates tied to the level of risk but averaging 8%-10% amortised.
- v. Conduct educational and awareness programs on the importance of credit worthiness.
- vi. Provide technical assistance and training in project/loan appraisals and business planning including utilisation of online tools
- vii. Provide financial support for the implementation of standards and certification thereto and either subsidize or support in full the cost for calibration/testing/certification with respect to TBT and SPS for Micro and small enterprises.
- viii. Encourage the increase of credit to the sector by traditional financial institutions through a tax credit of 10% on the incremental value of loans and provide a tax credit of 100% on dividends earned from investing in MSMEs, either directly through an MSME Development Fund.
- ix. Establish export and pre-export credit schemes.
- x. With respect to small farmers use other financial instruments such as crop liens and crop insurance to improve access to capital. Financing through clusters will mitigate collateral requirements.
- xi. Encourage the establishment of MSME windows at traditional financial institutions with a technical assistance component. Special attention should be given to women, youth and small farmers. Such windows will facilitate speedy disbursements and make use of non-collateral security. Repayment terms must take into account the nature of the business. For example, repayment of farm loans will be based on crop harvest.

- xii. Other methods of increasing the flow of capital to the sector would include direct budgetary appropriations, floating of small business development bonds (requiring a Government guarantee) and allocation or part proceeds of Lotto and other games of chance for on-lending to the sector.

### **2.2.3. Market Access and Competitiveness**

#### **Issue**

The issue here is the absence of market information, access and competitiveness due to the high cost of doing business and poor quality management. The survey of 100 MSMEs showed that the market for more than 60% of respondents was limited to the community and district. Little attention is paid to developing production linkages between large and small producers and between markets.

#### **Microenterprises**

*Policy Objective:* To facilitate the access to larger markets by micro enterprises.

*Policy Statement:* Encourage the development of value chain linkages with larger enterprises.

*Strategies:*

- i. Assess the current state of subcontracting between micro enterprises and SMEs / larger firms and examine possible mechanisms to facilitate an increase in such contracts.
- ii. Build capacity of small farmers and other micro enterprises through associations or cooperatives to enable bulk purchasing of material inputs and outputs.
- iii. Encourage the use of product standards such as food hygiene and good agricultural practices.
- iv. Reduce the cost of doing business by granting concessions on imported raw materials, fuel and energy.

#### **SMEs**

*Policy Objective:* To support the growth of SMEs by developing their capability to access larger markets.

*Policy Statement:* Build capacity of SMEs and assist in developing value chain linkages with larger enterprises.

*Strategies:*

- i. Promote commercial linkages between SMEs and larger domestic and foreign firms as suppliers and distributors.
- iii. Reduce the cost of doing business by granting concessions on imported raw materials and equipment, fuel and energy, capping legal and other costs of doing business and levying domestic, not commercial, utility rates for home-based businesses.
- iv. Promote the use of product and systems (quality management) standards
- vi. Significantly reduce cross-border smuggling and petty corruption by officials at ports of entry.
- vii. Implement a 25% set-aside Government procurement policy and establish the necessary regulatory and administrative mechanism.
- viii. Assist SMEs to link up with larger exporters for the creation of backward linkages
- ix. Encourage the development of ICT products tailored to the sector such as website development, VOIP, online marketing.
- x. Promote demand for locally produced goods and services using “by-local” campaigns for products meeting specific standards as well as through public education and awareness of supporting local products.
- xi. Provide low cost financing / grants and technical support to assist SMEs with energy conservation solutions and retrofitting with alternative energy solutions.
- xii. Offer internet marketing and e-commerce services (Belize ADE) and/or equip BSOs (BCCI, BELTRAIDE, BEST) with the ability to offer these services.
- xiii. Waive stamp duty and other costs associated with transferring personal property for the purposes of accessing finance.
- xiv. Encourage and promote market linkages between large and small producers and between markets thus expanding opportunities for MSMEs both local and foreign.
- xv. Facilitate bulk purchasing of raw materials and other inputs either through a Government agency or MSME Associations.<sup>9</sup>

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<sup>9</sup> The Grenada Bureau of Standards, for example, orders, stores and supplies bar codes, labels and packaging materials to MSMEs at rates cheaper than retail.

- xvi. Encourage production sharing that is twinning of plants or factories where several operators share a large order.
- xvii. Encourage and support home-based (cottage) operations by removing obstacles such as excessive utility rates and poor infrastructure.
- xviii. Provide factory shells for priority activities.
- xix. An amendment should be made to the Fiscal Incentive Act and Export Processing Zone Act to provide incentives for the creation of value chains and production linkages with MSMEs operating in Belize.
- xx. Support SME participation in trade expositions within and without Belize

#### **2.2.4. Education and Training**

##### **Issue**

Management, marketing and accounting skills of MSMEs are weak and they lack the resources, and sometimes the will, to upgrade these skills. ICT penetration is extremely low. Support, financial and otherwise, for innovation is generally not available to the sector.

##### **Microenterprises**

*Policy Objective:* To develop entrepreneurial competencies.

*Policy Statement:* Place a high priority on entrepreneurship development, particularly among young people through training and awareness programs and other interventions that could reach a relatively large number of persons economically.

##### *Strategies:*

- i. Introduce entrepreneurship and business studies into the primary school curriculum
- ii. Promote mentoring, other hand-holding programs to be delivered by BSOs and networking among micro enterprises.
- iii. Promote programs that teach business discipline and entrepreneurship.
- iv. Promote entrepreneurship by supporting entrepreneurship

development programs (EDPs) and by launching public campaigns that increase exposure to business, encourage the teaching of the basics of business start up, and offer role models of successful and innovative entrepreneurs.

## **SMEs**

*Policy Objective:* To build business skills and knowledge and ICT skills.

*Policy Statement:* Develop and implement a broad range of training opportunities that will enable SME owner/managers and employees to build personal, technical and management skills.

### *Strategies:*

- i. Provide affordable (or subsidised) training opportunities and encourage SME owner/managers and employees to take up these opportunities.
- ii. Promote programs that teach business and financial discipline, business planning, accounting/bookkeeping, customer relations, standards and quality management and marketing.
- iii. Promote programs in business mentoring, networking, internships.
- iv. Encourage and support business incubation at ITVET and University of Belize. ITVET already has an incubation facility; this should be strengthened and promoted. A business incubation providing technical assistance, training, advice, shared support services and office should be established at the University of Belize (Belize City). The SBDC and UTECH (Jamaica) models should be examined and tailored to the needs of Belize. Off-site incubation should also be established.
- v. Promote ICT training and the development of ICT products specific to the sector<sup>10</sup>.
- vi. Facilitate and promote the development of an MSME Association, however called.
- vii. Provide financial and technical support for training and capacity-building of business support organisations.
- viii. Provide low cost financing/grants and technical support to assist SMEs with ICT solutions.
- ix. Integrate Vocational/Skills training into the MSME development

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<sup>10</sup> ScotiaBank and BCCI have online tools that are not widely known and little used.

framework so that the curriculum could be relevant to the needs of the economy and geared towards eventual self-employment. There should be less emphasis in schools on commerce and more business education.

- x. Develop a "skills bank" on a geographical basis to provide mentoring and extension services particularly in rural communities and a user friendly database of approved MSMEs for use by BSOs.
- xi. Use focal points to provide education, training and awareness programmes. Use existing BSO focal points where these exist.

## 2.3 Cross-Cutting Recommendations

Independent of the recommended policy measure above, there are a number of cross-cutting measures that could be undertaken immediately. These include:

1. BELTRAIDE, or the appropriate body, should undertake, as a matter of urgency, a census or survey of the MSME sector to determine numbers, demographics and characteristics of the sector. This could begin with requests to all agencies involved in credit and micro-finance to capture data on the sector and submit to BELTRAIDE and/or the SIB.
2. Financing MSMEs should be accompanied, at all times, by technical assistance, training, mentoring or some form of hand-holding or a combination of these. Providers should be appropriately trained.
3. The establishment of an MSME Development Association (or small business association) should be encouraged, supported and facilitated by BELTRAIDE. A meeting of all interested parties should be convened by BELTRAIDE at the earliest convenience.
4. Immediate efforts should be made through awareness, training and facilitation to promote ICT penetration among MSMEs. ICT is key to survival and success in the 21st century. The World Bank has estimated that for every 10% increase in penetration there is a boost of 1.38% in GDP<sup>11</sup>. ICT providers should be encouraged to develop packages specific to the sector.
5. Agreement should be reached on the priority activities (see Clause 12 of the MSME Development Act) and immediate steps commence to encourage and promote value added activity. This will require relevant agencies to develop capabilities in product development and market intelligence.

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<sup>11</sup> Kaieteur News. December 9, 2011.

6. Begin a campaign to buy local, buy Belize, and buy organic produce.

### 3.0 Legislative Issues

MSME Legislation should include the following:

1. The establishment of a facilitating and coordinating body for MSME development, herein called *Belize ADE*<sup>12</sup> (Belize Agency for the Development of Enterprise), an autonomous statutory body headed by a Director.
2. Provision for the legal definition for MSMEs.
3. Provision for the application and registration of approved MSMEs.
4. Codification of monetary, fiscal and other incentives to the sector. Some areas to be addressed include: encouragement of value chains; support for quality management; establishment for set-aside Government procurement.
5. Credit and micro-financing provisions should address: loan guarantee and wholesale operations; priority sectors; financial intermediation; fiscal incentives for MSMEs and financing agencies; venture capital.
6. Compliance with multilateral trade agreements and obligations.

Annex 3 provides a draft MSME Development Act.

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<sup>12</sup> Several options were considered to address the issues of fragmentation of support services to the sector. BELTRAIDE seems to be in favour of the SBDC model of the United States. This is not contradictory. SBDCs are partnerships primarily between the government and colleges/universities and administered by the US Small Business Administration. See Appendix 1. The proposed Belize ADE could administer such a partnership with implementation under the auspices of BELTRAIDE. It is recommended that the SBDC model be subjected to serious scrutiny and it may be better, in the medium term, to have a business incubator at the University of Belize, ITVET and other tertiary level institutions and focus on entrepreneurial and business training to be done at the University, ITVET and BIM.

## 4.0 Sustainability - A Framework for Implementation

### 4.1 Overview

This MSME Development Policy is only as good as its implementation!

The elements of this Policy cut across the full spectrum of business support services. Successful implementation of the MSME Policy and Strategy requires an effective working relationship between the public and the private sector, involvement of a multiplicity of public and private sector agencies and NGOs and effective leadership. The international donor community also has an important role.

The proposed Belize ADE will implement this Policy<sup>13</sup>. Implementation is primarily a matter of helping service providers directly to improve and expand their service offerings. This will involve convening providers of similar services to share information and forge partnerships, facilitating expertise from abroad to work with providers, documenting problems and lobbying Government for improvement, mapping various services to pinpoint gaps and synergies and so forth.

Belize ADE sector specialists will work directly with service providers as well as MSME, offering all support possible to enhance the performance in the sector. The information specialists will have the task of gathering business information and making it available to the public, taking care to target information channels that are appropriate for MSMEs.

Implementation of this Policy will depend heavily on input from the private sector. There will be regular consultations with private sector associations and others to elicit views on all aspects of Policy implementation, including requesting inputs on priorities and approaches.

The enactment of an MSME Development Act is critical to successful implementation. The Act will:

- ✓ Establish *Belize ADE* as a facilitating and coordinating body for MSME development.
- ✓ Provide for the application and registration of approved MSMEs.
- ✓ Codify fiscal and other incentives to the sector.
- ✓ Make provision for credit and micro-financing.
- ✓ Ensure compliance with multilateral trade agreements and obligations.

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<sup>13</sup> Belize ADE could be established under BELTRAIDE and eventually weaned into a stand-alone agency.

## 4.2 Key Players

The Belize Agency for the Development of Enterprise (*Belize ADE*) will play the lead role in implementation. This body should preferably be a statutory body or at least a semi-autonomous body under the Ministry of Trade, Commerce and Industry (however named). It should be adequately resourced (staffed and funded). There should be no expectation of self-financing and user fees are not envisaged. *Belize ADE* will be established under the *MSME Development Act* which will also provide the legislative framework for supporting the sector.

*Belize ADE* will:

- Coordinate the provision of support services to the sector
- Assist service providers to improve and expand their services.
- Lobby on behalf of MSMEs.
- Execute the provisions of the MSME Development Act.
- Mobilise affordable financial service.
- Provide technical assistance in marketing, product development, ICT and skills training

The first act of Belize ADE will be to undertake an inclusive planning process targeting the main objectives of each policy element, analysing options and drawing up an action plan for implementation.

Other key players include:

- *BELTRAIDE*: Facilitation, incentives regime, investment, market and product development
- *BBS and BAHA* - standards and quality
- University of Belize, ITVET - entrepreneurial training and development, business incubation
- *Ministry of Agriculture* - extension services
- *Department of Cooperatives* - training and technical assistance to cooperative societies
- *DFC, Commercial Banks and Credit Union* - micro financing
- *MSME Association* (proposed): advocacy and networking
- *NGOs* - technical assistance, training, extension, advocacy
- *BCCI* - ICT, training, organisation and networking



- SIB – Collection of statistics on MSMEs.
- YBT – youth entrepreneurial development.
- Women’s Department – women entrepreneurial development.

Effective coordination of the activities of these key players is a sine qua non for successful implementation of the MSME Policy and Strategies.

A Logical Framework Monitoring Tool is provided in Annex 4. The logical framework is a highly effective planning, monitoring and evaluation tool for defining inputs, outputs, timetables, success assumptions and performance indicators. It provides a structure for specifying the components of an activity and for relating them to one another.

## Annex 1: Policies and Strategies for Micro Enterprises

| Policy Pillars           | Legislative and regulatory framework   | Increase flow of capital   | Market access and competitiveness  | Education and training   |
|--------------------------|--|--|--|--|
| <b>Policy Objectives</b> | <ul style="list-style-type: none"> <li>✓ To provide the legislative framework to stimulate, support and sustain the sector</li> <li>✓ Bring into the formal sector</li> </ul>  | <ul style="list-style-type: none"> <li>✓ To provide access to affordable financing</li> </ul>  | <ul style="list-style-type: none"> <li>✓ To facilitate the access to larger markets by micro enterprises</li> </ul>  | <ul style="list-style-type: none"> <li>✓ To develop entrepreneurial competencies</li> </ul>  |
| <b>Strategies</b>        | <ul style="list-style-type: none"> <li>• Enact an MSME Development Act that will define an MSME, establish the policy framework/guidelines for the development and regulation of the sector.</li> <li>• Establish, through the Act, an MSME Policy implementation organ to be called the Belize Agency for the Development of Enterprise (Belize ADE).</li> <li>• Introduce an MSME in the national accounts so that data on the sector can be collected and disseminated and encourage financial institutions to collect data on the sector.</li> <li>• Reduce the bureaucracy and paperwork to access credit. Micro credit applications should be no more than one (1) page and the turnaround time for micro financing approvals should be no more than three (3) days.</li> <li>• Exempt micro-enterprises from all forms of taxation</li> <li>• Reduce, or eliminate, the cost of business registration (and licensing) and simplify the process</li> <li>• Allow registration (and licensing) to be done through Belize ADE</li> </ul> | <ul style="list-style-type: none"> <li>• Provide low interest capital to micro-finance institutions for on-lending at rates of 8%-10% amortised.</li> <li>• Reduce the paperwork and turnaround time for application and approval of loans</li> <li>• Encourage the use of comakers (co-signers) and other alternative to fixed-asset collateral</li> <li>• Support the growth of Credit Unions as the primary vehicle for micro-credit</li> <li>• Train credit officers to engage with micro-entrepreneurs</li> </ul> | <ul style="list-style-type: none"> <li>• Assess the current state of subcontracting between micro enterprises and SMEs / larger firms and examine possible mechanisms to facilitate an increase in such contracts.</li> <li>• Build capacity of small farmers and other micro enterprises through associations or cooperatives to enable bulk purchasing of material inputs and sales.</li> <li>• Encourage the use of product standards such as food hygiene and good agricultural practices.</li> <li>• Reduce the cost of doing business by granting concessions on imported raw materials, fuel and energy.</li> </ul> | <ul style="list-style-type: none"> <li>• Introduce entrepreneurship and business studies into the primary school curriculum</li> <li>• Promote mentoring, other hand-holding programs to be delivered by BSOs and networking among micro enterprises.</li> <li>• Promote programs that teach business discipline and entrepreneurship.</li> <li>• Promote entrepreneurship by supporting entrepreneurship development programs (EDPs) and by launching public campaigns that increase exposure to business, encourage the teaching about the basics of business start up, and offer role models of successful and innovative entrepreneurs.</li> </ul> |

## Annex 2: Policies and Strategies for Small and Medium Enterprises

| Policy Pillars           | Legislative and regulatory framework   | Increase flow of capital  | Market access and competitiveness  | Education and training  |
|--------------------------|--|---|--|---|
| <b>Policy Objectives</b> | <ul style="list-style-type: none"> <li>✓ To provide the legislative framework to stimulate, support and sustain the sector</li> <li>✓ To reduce unnecessary legal and regulatory burden placed on SMEs in doing business</li> </ul>  | <ul style="list-style-type: none"> <li>✓ To provide greater access to affordable financing</li> </ul>   | <ul style="list-style-type: none"> <li>✓ To support the growth of SMEs by developing their capability to access larger markets</li> </ul>  | <ul style="list-style-type: none"> <li>✓ To build business skills and knowledge and ICT skills</li> </ul>   |
| <b>Strategies</b>        | <ul style="list-style-type: none"> <li>• Enact an MSME Development Act that will define an MSME, establish the policy framework/guidelines for the development and regulation of the sector.</li> <li>• Establish, through the Act, an MSME Policy implementation organ to be called the Belize Agency for the Development of Enterprise (Belize ADE).</li> <li>• Introduce an MSME in the national accounts so that data on the sector can be collected and disseminated and encourage financial institutions to collect data on the sector.</li> <li>• Reduce the bureaucracy and paperwork to access credit. Micro credit applications should be no more than one (1) page and the turnaround time for micro financing approvals should be no more than three (3) days.</li> <li>• Establish a business registry at Belize ADE</li> <li>• Restructure tax rates for SMEs and provide tax incentives for investment in priority sectors and geographic areas</li> <li>• Relax the requirement for compliance with environmental, BAHA and other regulations in terms of paperwork and approval time</li> <li>• Presume that laws are complied with if the SME is certified to an appropriate standard</li> <li>• Improve the dissemination of legal/regulatory information using channels that provide easy access to</li> </ul> | <ul style="list-style-type: none"> <li>• Establish a loan guarantee program with participating financial institutions.</li> <li>• Promote equity financing of SMEs either directly or through tax credits through a venture capital fund and provide incentives for investing in this fund. Provide tax relief for investments of up to \$100,000 in approved MSMEs.</li> <li>• Institute a credit reporting system to provide information about potential borrowers in a timely and cost-efficient manner. This information will be used to determine credit risk and facilitate access for credit-worthy clients.</li> <li>• Access low cost funding from external sources such as CDB, FAO, IFAD, CaribExport, IDB, etc., for on-lending to the sector at rates tied to the level of risk but averaging 8%-10% amortised.</li> </ul> | <ul style="list-style-type: none"> <li>• Promote commercial linkages between SMEs and larger domestic and foreign firms as suppliers and distributors.</li> <li>• Amend the EPZ Act to provide incentives for the creation of value chain linkages with MSMEs</li> <li>• Reduce the cost of doing business by granting concessions on imported raw materials and equipment, fuel and energy, capping legal and other costs of doing business and levying domestic, not commercial, utility rates for home-based businesses.</li> <li>• Promote the use of product and systems (quality management) standards</li> <li>• Significantly reduce cross-border smuggling and petty corruption by officials at ports of entry.</li> <li>• Implement a 25% set-aside Government procurement policy and establish the necessary regulatory and administrative</li> </ul> | <ul style="list-style-type: none"> <li>▪ Provide affordable (or subsidised) training opportunities and encourage SME owners / managers and employees to take up these opportunities.</li> <li>▪ Promote programs that teach business and financial discipline, business planning, accounting/bookkeeping, customer relations, standards and quality management and marketing.</li> <li>▪ Promote programs in business mentoring, networking, internships.</li> <li>▪ Encourage and support business incubation at ITVET and University of Belize. ITVET already has an incubation facility; this should be strengthened and promoted. A business incubation providing technical assistance, training, advice, shared support services and office should be established at the University of Belize (Belize City). The SBDC and</li> </ul> |

|  |   |  |   |  |
|--|---|--|---|--|
|  | <p>SMEs.</p> <ul style="list-style-type: none"> <li>• Provide the legal basis for set-aside Government procurement so that MSMEs will benefit from a fair share of public procurement of goods and services.</li> <li>• Codify fiscal and monetary incentives for the sector.</li> <li>• The regulatory mechanism for tax compliance should reflect the special status of MSMEs.</li> </ul> | <ul style="list-style-type: none"> <li>• Conduct educational and awareness programs on the importance of credit worthiness.</li> <li>• Provide technical assistance and training in project/loan appraisals and business planning including utilisation of online tools</li> <li>• Provide financial support for the implementation of standards and certification thereto.</li> <li>• Encourage the increase of credit to the sector by traditional financial institutions through a tax credit of 10% on the incremental value of loans and provide a tax credit of 100% on dividends earned from investing the MSMEs, either directly through an MSME Development Fund.</li> <li>• Establish export and pre-export credit schemes.</li> <li>• With respect to small farmers use other financial instruments such as crop liens and crop insurance to improve access to capital. Financing through clusters will mitigate collateral requirements.</li> <li>• Encourage the</li> </ul> | <p>mechanism.</p> <ul style="list-style-type: none"> <li>• Assist SMEs to link up with larger exporters for the creation of backward linkages</li> <li>• Encourage the development of ICT products tailored to the sector such as website development, VOIP, online marketing.</li> <li>• Promote demand for locally produced goods and services using by-local campaigns for products meeting specific standards as well as through public education and awareness of supporting local products.</li> <li>• Provide low cost financing / grants and technical support to assist SMEs with energy conservation solutions and retrofitting with alternative energy solutions.</li> <li>• Offer Internet marketing and e-commerce services (Belize ADE) and/or equip BSOs (BCCI, BELTRAIDE, BEST) with the ability to offer these services.</li> <li>• Waive stamp duty and other costs associated with transferring personal property for the purposes of accessing finance.</li> <li>• Encourage and promote market linkages between large</li> </ul> | <p>UTECH (Jamaica) models should be examined and tailored to the needs of Belize. Off-site incubation should also be established.</p> <ul style="list-style-type: none"> <li>▪ Promote ICT training and the development of ICT products specific to the sector<sup>14</sup>.</li> <li>▪ Facilitate the development of an MSME Association, however called.</li> <li>▪ Provide financial and technical support for training and capacity building of business support organisations.</li> <li>▪ Provide low cost financing / grants and technical support to assist SMEs with ICT solutions.</li> <li>▪ Integrate Vocational / Skills training into the MSME development framework so that the curriculum could be relevant to the needs of the economy and geared towards eventual self-employment. There should be less emphasis in schools on commerce and more business education.</li> <li>▪ Develop a “skills bank” on a geographical basis to provide mentoring and extension services particularly in rural communities.</li> </ul> |
|--|---|--|---|--|

<sup>14</sup> ScotiaBank and BCCI have online tools that are not widely known and little used.

|  |  |  |   |  |
|--|--|--|---|--|
|  |  | <p>establishment of MSME windows at traditional financial institutions with a technical assistance component. Special attention should be given to women, youth and small farmers. Such windows will facilitate speedy disbursements and make use of non-collateral security. Repayment terms must take into account the nature of the business; for example, repayment of farm loans will be based on crop harvest.</p> <ul style="list-style-type: none"> <li>• Other methods of increasing the flow of capital to the sector would include direct budgetary appropriations, floating of small business development bonds (requiring a Government guarantee) and allocation or part proceeds of Lotto and other games of chance for on-lending to the sector.</li> </ul> | <p>and small producers and between markets thus expanding opportunities for MSMEs both local and foreign.</p> <ul style="list-style-type: none"> <li>• Facilitate bulk purchasing of raw materials and other inputs either through a Government agency or MSME Associations.</li> <li>• Encourage production sharing that is twinning of plants or factories where several operators share a large order.</li> <li>• Encourage and support home-based (cottage) operations by removing obstacles such as excessive utility rates and poor infrastructure.</li> <li>• Provide factory shells for priority activities.</li> <li>• An amendment should be made to the Fiscal Incentive Act and Export Zone Act to provide incentives for the creation of value chains and production linkages with MSMEs operating in Belize.</li> </ul> |  |
|--|--|--|---|--|

## Annex 3: Draft MSME Development Act

A Bill to provide legislative benefits of a financial, technical, and institutional nature, and specific forms of financial relief to the small business sector in recognition of the sector's importance to the development of the economy.

### PART 1 - PRELIMINARY

#### 1. Short Title

(1) This Act may be cited as the “**Micro Small and Medium Enterprise Development Act 20XX**”.

#### 2. Definitions

(1) In this Act:-

“**Approved Enterprise**” means an enterprise or undertaking in respect of which an approved enterprise order has been made under this Act;

“**Approved Sector**” means a product and service approved for production by an Approved Enterprise;

“**Agency**” means the Belize Agency for the Development of Enterprise established by the Act;

“**Director**” means the head of Belize ADE;

“**Company**” means any person or persons, body corporate or incorporated association legitimately doing business in Belize with majority local ownership;

“**Council**” means the MSME Development Council established by Section 3(2);

“**Development Area**” means a geographic area identified for special assistance;

“**Duty exemption**” means the relief from payment of duty granted under section 10;

“**Guarantor**” means the custodian of the Loan Guarantee Fund;

“**Income tax**” means any tax on income or profit;

“**Industry**” means a manufacturing or processing activity and includes agriculture, aquaculture, forestry, and fisheries;

“**Lender**” means the Participating Financial Intermediary;

“**Minister**” means the Minister of Industry with responsibility for MSME Development;

“**MSME**” or “**Enterprise**” means Micro Small and Medium Enterprise carried on or about to be carried on in the country for gain or profit including the business of manufacturing, processing, farming, services, and Cooperatives but excludes businesses having as its principal objective the furtherance of a charitable, political, or religious purpose, and meeting the following criteria:-

| Type of Enterprise         | (a) Employees (Full Time)    | (b) Annual Sales (Belize \$) | (c) Investment | (d) Manufacturing Space (m <sup>2</sup> ) |
|----------------------------|------------------------------|------------------------------|----------------|---|
| Micro (a or b and c)       | Owner manager - <5 employees | <100k                        | <50k           | na  |
| Small (a or d and b or c)  | 5 - 19 employees             | <500k                        | <150k          | <372                                      |
| Medium (a or d and b or c) | 20 - 50 employees            | <1.5 million                 | <500k          | <557                                      |

Provided that the Minister may, on the advice of the Council, by order which shall be subject to affirmative resolution of the National Assembly alter any or all of the criteria specified in this paragraph or specify other criteria in lieu thereof.

“**Order**” means an approved enterprise order or certification made under section 4 including any amendment thereto made from time to time;

“**Participating Financial Intermediaries**” means bank and non-bank financial intermediaries engaged by the appropriate Government agency to disburse loan or guarantee funds on its behalf;

“**Registrar**” means the Agency who is designated by this Act as the Registrar of MSMEs;

“**Tax exemption**” means relief from income tax granted under section 11;

“**Tax credit**” means a credit against taxable income granted under section 11;

“**Wholesaler**” means the operator of the Loan Wholesale operations;

## PART 2 - ADMINISTRATION

### 3 . *Administration – Belize Agency for the Development of Enterprise*

- (1) For the purposes of this Act, there shall be established an Agency to be known as the *Belize Agency for the Development of Enterprise*, hereafter called *Belize ADE*, to be appointed by the Minister, which shall administer and implement the provisions of this Act. The Agency will have the power to hold land and other property, to sue or be sued, and to own and perform such things subject to the provisions of this Act.
- (2) The Agency shall be governed by a Council made up of representatives of recognised MSME sector bodies, relevant Ministries and such other persons that the Minister may so appoint. *The majority of persons on the Council shall be drawn from the Private and NGO sectors.*
- (3) In addition to enforcing the provisions of this Act, the Agency shall –
  - a . formulate strategies for the sector
  - b . develop and implement sectoral programmes and projects that address the needs of MSMEs and that are aimed at promoting the growth and competitiveness of the sector
  - c . identify, develop and strengthen clusters
  - d . collaborate with public and private institutions and NGOs in the establishment and implementation of mechanisms for the development of MSMEs

- e . develop strategies to enhance and promote market competitiveness both on a sectoral and on an individual enterprise level
  - f . coordinate MSME development efforts, including education and training, technical assistance and financing
  - g . establish policies for technical cooperation
  - h . register and declare Approved MSMEs
  - i . advise the Minister and the Government on all matters related to MSME Development
  - j . implement Government's MSME Policy and Strategies for the sector
  - k . oversee Government financing operations to the sector
  - l . collect and disseminate information relating to local, regional and international markets
  - m . promote and support the development of MSME support organisations and promote and encourage inter-agency linkages
  - n . provide direct technical assistance and training to MSME as required
  - o . administer the MSME Development Fund equity and grant portfolio
  - p . any other functions as may be assigned by this Act or any regulations made hereunder
- (4) In exercise of its mission referred to in sub-section 3, the Agency may hold an inquiry and/or audit the books and other records of Approved Enterprises and the relevant records of Participating Financial Institutions (PFIs). At no time shall the Agency have access to the entire records of PFIs, and shall have access only to those records relevant to the existing financial arrangements.
- (5) Where having held an inquiry under this section the Agency is of the opinion that the enterprise violates any provision of this act, the Agency shall revoke the approved MSME order.
- (6) Where having held an inquiry under this section the Agency is of the opinion that the PFI violates any provision of this act, the Agency shall take necessary steps on the cessation of existing arrangements in keeping with the terms and conditions of those arrangements.
- (7) The Agency shall determine the remuneration and expenses to be paid to the persons appointed under this section.
- (8) Nothing in this section shall derogate from the power of the Agency to cancel an Approved Enterprise order should it think fit.
- (9) Where a creditor or lender applies to have an inquiry instituted he shall first satisfy the Agency that a situation exists and shall contribute towards the cost of the inquiry such sum as the Agency may determine.
- (10) Where a member of the Agency is in any way connected to the PFI or MSME under inquiry, he shall remove himself from the deliberations of the Agency relevant to the inquiry

#### **4 . Appointment of a Director for Belize ADE**

- (1) There shall be a Head of the Agency hereinafter called “the Director” who shall have the powers of supervision of the affairs of the Agency and shall perform the duties of Registrar of Approved Enterprises.
- (2) The Director is a full-time salaried position accountable to the Council.
- (3) The duties of the Director shall be to –
  - a . manage and direct the operations of the Agency;
  - b . supervise staff of the Agency;
  - c . call and chair meetings of the Agency;
  - d . facilitate, design, develop, and implement specific plans of actions that meet the needs of the MSME sector;
  - e . direct potential entrepreneurs to recognized training institutions and, where necessary, develop training programmes;
  - f . liaise with financial intermediaries, MSME support agencies, government bodies, and regional and international development agencies;
  - g . work with existing local organizations or independently to source financial and technical assistance from international development agencies;
  - h . organize MSME training workshops and seminars to upgrade entrepreneurial and business skills;
  - i . implement the functions of the Agency and perform such other related duties pursuant to the provisions of this Act.

#### **5 . Application and Registration of an Approved Enterprise**

- (1) Any person conducting or desirous of conducting an enterprise in the Country may apply to the Agency for an approved enterprise order and shall furnish in support of this application
  - a . particulars as to the nature of the enterprise and the contribution which it is expected to make the economy;
  - b . estimated investment in machinery and equipment, number of persons employed, and estimated annual turnover;
  - c . where applicable, particulars to determine the level of exports, foreign exchange earnings or foreign exchange savings;
- (2) Provided that the enterprise is a local company and meets the definition of an MSME as defined in section 2 of this Act, and –
  - a . operates a system of accounts approved by an appropriate body such as the Auditor

General's Office, Institute of Chartered Accountants, or other recognized body;

- b . has potential for creating permanent jobs;
  - c . makes optimum use of local resources as evidence by local value added of not less than 50%;
  - d . carry on business in an approved sector or designated "development" area as defined in section 9.
- (3) An application for an order must be made in such form as the Agency approves
- (4) Upon receipt of the application the Agency may cause such inquiry to be carried out that would verify any statement contained in the application
- (5) Any person who knowingly gives information which is false, commits an offence under this Act.
- (6) If the Agency is satisfied that the enterprise confirms to the provision of this Act, it may by order declare the enterprise to be an approved enterprise.
- (7) Before making an order, the Agency shall –
- a . cause a notice to be published in one issue of a newspaper circulating in the Country and in one issue of the Gazette containing sufficient information about the enterprise and inviting objections to the order to be made in writing within seven days of the notice;
  - b . consider any objections received pursuant to the notice,
- (8) An approved enterprise order shall set out the conditions subject to which it has been made
- (9) No such order shall be granted for an enterprise if –
- a. the enterprise is in receipt of fiscal incentives under an existing Act;
  - b. the enterprise is not a result of splitting or structuring of an existing company;
  - c. the enterprise has as a shareholder or interested party any other company holding shares or interest either directly or indirectly through its nominees which does not meet the definition of an MSME under Section 2 of this Act;
  - d. the enterprise is not registered in accordance with the Commercial Code of the Country;
- (10) The Agency shall cause to be kept a Registrar of Approved Enterprises containing the following information:
- a . the name and business address of the enterprise;
  - b . particulars of the owner (s);
  - c . date of declaration of the order;
  - d . conditions, if any, upon which the order was granted;
  - e . relief, if any, that was granted; and

f . such information that the Agency may require.

## 6 . ***Revocation of Order***

- (1) The Agency may revoke an order made under section 5 if it is satisfied that an approved enterprise –
  - a . is no longer an MSME as defined in section 2;
  - b . violates any condition under which the order was made;
  - c . is no longer operating consistent with section 5 sub-section 2;
  - d . is in violation of section 12.
- (2) A revocation order made under section 6 sub-section 1 shall to be published in one issue of a newspaper circulating in the Country and in one issue of the Gazette containing sufficient information about the enterprise and the reasons for the revocation.

## **PART 3 – FINANCE MATTERS**

## 7 . ***MSME Development Fund***

- (1) There shall be established a Fund, to be called the MSME Development Fund, for the following purposes:
  - a . Loan Guarantees to provide greater access to financing for MSMEs
  - b . Loan Wholesale operations to provide affordable financing;
  - c . Grant scheme to assist MSME to improve productivity and competitiveness;
  - d . Equity financing to provide greater access to financing and management for MSMEs;
  - e . Institutional support for organisations representing, promoting, supporting and strengthening MSMEs;
  - f . Funding the expenses of the Council and Agency.
- (2) The resources of the Fund shall consist of:
  - a. An annual allocation of not less than \$0.5 million by the Government of Belize;
  - b. Donations obtained from local and international institutions or Foreign Governments;
  - c. Monies accruing to the fund from investment, loan or other income;
  - d. Loans and grants obtained from national, bi-lateral and multilateral sources;

e. Any other contribution made available to the Fund.

## 8. **Loan Guarantee Fund**

- (1) A Loan Guarantee Fund shall be established at the Development Finance Corporation (DFC), hereinafter called the Guarantor, or any such entity that the Minister may decide on the advice of the Commission.
- (2) Subject to the provisions this Act and, in particular, to the conditions set out in sub-section 3 and section 9, the Guarantor is liable to pay to a Participating Financial Institution, hereinafter called the lender, up to eighty percent, or such other percentage as is provided in another Act or by agreement, of any loss sustained by the lender as a result of an MSME loan.
- (3) The conditions referred to in sub-section 7(2) are as follows:
  - a. the loan had prior approval of the Guarantor and the lender obtained a written guarantee therefore specifying the conditions of the guarantee;
  - b. the borrower was the proprietor of the enterprise in respect of which the loan was to be extended;
  - c. the loan was extended to an MSME as defined in section 2;
  - d. in the case of an enterprise about to be carried on, the enterprise was not expected, at the time the loan was approved by the lender, to exceed the limits of an MSME as defined in section 2 for its first financial year;
  - e. the loan was made for the purpose of financing expenditures or commitments that did not arise more than one hundred and eighty days before the loan was approved by the lender;
  - f. if the loan relates to a premises, at least 50% of the area was used in carrying on the business enterprise and at least 50% of the gross revenues were derived from activity carried on at the premises;
  - g. interest rate shall be determined by the lender;
  - h. the guarantee shall be a maximum of 50% for businesses already in operation and 80% for new businesses but shall not exceed \$100, 000.
- (4) The guarantee fee is 1.5% of the total loan annually for the life of the loan.

## 9. **Loan Wholesale Operations**

- (1) Loan wholesale operations shall be established through the DFC or any such entity the Minister may decide on the advice of the Commission.
- (2) Subject to the provisions of this Act, particularly the conditions laid down in section 9, Participating Financial Intermediaries shall be provided with medium to long term loans to be on-lent to the MSME sector
- (3) The terms and conditions of the loan shall be agreed to with the Participating Financial Intermediaries and enshrined in a memorandum of understanding and a legally binding

contract of operations.

## 10. **Grant Scheme**

A Grant Scheme shall be established through Belize ADE to provide Grants to support investments in ICT, alternative energy, and certification to approved technical standards on terms to be determined by the Agency.

## 11. **Equity Financing**

A portion of the MSME Development Fund, to be determined annually by the Council, shall be set aside for equity financing of approved MSME projects. The rules of this equity financing shall be determined by the Council.

## 12. **Approved Sectors of Operations**

(1) Loans under section 7 and 8 shall be made to enterprise operating in the following sectors –

- a . Agriculture, including fishing;
- b . Agro-processing;
- c . Manufacturing, including forestry;
- d . Tourism;
- e . Repair and maintenance;
- f . Information and Communication Technology (ICT);
- g . Craft;
- h . Cottage industries

Providing that the enterprise is not engaged in merchandising, or retail and distribution, unless this area involves products approved by the Agency or that the activity is conducted in a development area where the facility is needed subject to sub-section 4.

(2) Funds under the programs defined in section 7 and 8 shall be used to finance the following types of activities:

- a . purchase and installation of machinery and equipment (new and used);
- b . construction and renovation of factory or tourist accommodation;
- c . permanent working capital;
- d . purchase of movable fixed assets linked to the enterprise;
- e . rehabilitation of existing enterprises including financial restructuring;
- f . Technical Standards and Quality Management;

- g . alternative energy;
  - h . technological and other forms of innovation
- (3) No such funds shall be used to refinance an enterprise except, in the opinion of the Agency, it is a part of a comprehensive financial restructuring of the company, or to finance charitable, political, or religious endeavours.
- (4) The Minister may by order published in the Gazette –
- a . designate an area of the country to be a development area with effect from the date specified in the order;
  - b . designate or rescind an approved sector of operations.

### 13 . **Participating Financial Intermediaries**

- (1) Participating Financial Intermediaries (PFIs) must be viable, well managed concerns approved by the Agency and shall include Commercial Banks, Credit Unions, and Cooperatives, NGOs, and other bank and non-bank intermediaries.
- (2) PFIs shall be responsible for –
- a . evaluation of loans applications;
  - b . requesting funds on behalf of approved projects or credit programme;
  - c . supervising the project after disbursement;
  - d . all collateral and recovery aspects of the loan.

### 14 . **Government Set-Aside Procurement**

- (1) Central Government shall use its best efforts to ensure that at least twenty-five percent of the procurement of goods and services required annually by the Government is sourced from approved enterprises and, for this purpose, Belize ADE shall prepare annually an MSME Procurement Programme.
- (2) For the purpose of giving effect to subsection 14 (1), Belize ADE shall prepare annually, for submission to the Minister, a report on the progress made in implementing the MSME Procurement Programme.

### 15 . **Fiscal Matters**

- (1) An approved enterprise, on the basis of a certificate of approval, is entitled to any or all of the following fiscal incentives and relief –
- a . exemption from any form of consumption or sales tax and income tax for an approved micro enterprise as defined in Section 2;

- b. exemption of duty on raw materials and equipment;
- c. exemption from income tax on dividends and interest earned on investment in an approved enterprise or in any MSME fund such as may be operated by Credit Unions, NGOs or as defined in sections 7 and 8 of this Act;
- d. a tax credit as follows:
  - (i) 50% on chargeable profits
  - (ii) 20% on investment in machinery and equipment
  - (iii) 100% on profits from export earnings
  - (iv) 20% on technology research and development
  - (v) 100% on certification to approved technical standards
  - (vi) 100% on investment in alternative energy
  - (vii) 100% on investment in ICT
- e. Provided that the Agency does not specify otherwise.
- f. The incentives and relief granted to an enterprise shall form part of the published notice referred to in section 5 sub-section 7.

## PART 4 - MISCELLANEOUS

### 16. **Reporting**

- (1) There shall be submitted to the Agency within three months of the close of each financial year of the approved enterprise, annual financial reports and other narratives and in such form as the Agency approves.
- (2) The approved enterprise shall maintain proper books of accounts in a form acceptable to the Agency.

### 17. **Change of Name**

- (1) Where an approved enterprise changes its name, that enterprise shall within fourteen days of the date such change, inform the Agency in writing of its new name.

### 18. **Transfer of Status**

- (1) The Agency, by notice published in the Gazette, may transfer the status of an approved enterprise granted under this Act where –
  - a. section 13 applies;
  - b. the approved enterprise merges with another enterprise;
  - c. in the opinion of the Agency it is equitable or in the public interest to do so.

## 19 . **Penalty**

- (1) Any person, enterprise, or company failing to comply with or contravening any provisions of this Act, or committing an offence under this Act is liable, on summary conviction, to a fine not exceeding US\$1,000.00, suspension from registration for up to two (2) years and would be required to refund any financial benefits received resulting from the breach.

## 20 . **Amendments**

- (1) The Minister may, on the recommendation of the Agency, propose to Cabinet amendments with respect to this Act.
- (2) An amendment pursuant to sub-section 16(1) must be for the purpose of enhancing the development of MSMEs through relief and other forms of development assistance.

## 21 . **Regulations**

- (1) The Minister may make such regulations as may be necessary for giving effect to the provisions of this Act.
- (2) Any regulation made pursuant to sub-section 1 of this section shall be laid before the National Assembly and shall be subjected to negative resolution.

## 22 . **Reference to Other Acts**

- (1) This Act shall have effect notwithstanding anything to the contrary in other Acts, and the provisions of this Act, insofar as they relate to MSMEs as defined herein, shall have effect only subject to the provisions of this Act.

## Annex 4: Logical Framework Monitoring Tool

| Summary of Objectives/<br>Activities   | Objectively Verifiable<br>Indicators  | Means of Verification  | Important Assumptions  |
|--|---|--|--|
| <p><b>Overall Goal:</b> To reduce rural and urban poverty, create wealth and reduce unemployment<sup>15</sup>.</p> | <ul style="list-style-type: none"> <li>• % decline in poverty levels</li> <li>• Decline in unemployment rate</li> <li>• More equitable distribution of incomes</li> </ul>   | <ul style="list-style-type: none"> <li>• Country statistics and national accounts.</li> </ul>  | <p>NA</p>  |
| <p><b>Project Purpose:</b> To create an enabling policy environment for the sustained development of MSMEs.</p>    | <ul style="list-style-type: none"> <li>• % increase in MSME registrations – 100% in 2013 and 10% annually thereafter</li> <li>• % increase in capital flows to the sector</li> <li>• Loan Guarantee mechanism established and functioning by December 2012</li> <li>• MSME Development Fund established and operational by June 2013</li> <li>• Loan wholesaling mechanism in place June 2013</li> <li>• MSME windows at all traditional financial institutions by December 2013</li> <li>• MSME Association established and</li> </ul> | <ul style="list-style-type: none"> <li>• Belize ADE records and registration certificates.</li> <li>• Records/reports from Belize ADE and PFIs.</li> <li>• Registration records, BELTRAIDE minutes, Articles of</li> </ul> | <ul style="list-style-type: none"> <li>• Government and the public and private sectors and NGOs champion the implementation of the Policy and Strategy recommendations to bolster and sustain MSME competitiveness and development.</li> <li>• Policy implementation is adequately resourced (funding, human resources, facilities and equipment, etc.)</li> </ul> |

<sup>15</sup> Baseline for poverty levels, unemployment and income level and distribution needs to be established.

|   |  |   |   |
|---|--|---|---|
|   | <p>functioning by December 2012</p> <ul style="list-style-type: none"> <li>• MSME Survey undertaken by October 2012</li> <li>• Needs oriented, coordinated provision of business support services in effect</li> <li>• Business incubation established at University of Belize by September 2013.</li> <li>• % increase in number of MSMEs using quality and product standards</li> <li>• % increase in number of MSMEs complying with food safety regulations</li> <li>• % increase in number of MSME marketing outside of District/Community</li> <li>• % increase in number of MSME exporting</li> <li>• % increase in number of production and marketing linkages</li> </ul> | <p>Association/Incorporation.</p> <ul style="list-style-type: none"> <li>• Survey report</li> <li>• Needs analysis reports, MOU between Belize ADE and BSOs.</li> <li>• University of Belize official documents, brochures, etc.</li> <li>• Bureau of Standard records</li> <li>• BAHA records</li> <li>• Survey data</li> <li>• Survey data</li> <li>• Contracts, letters of agreement, procurement records</li> </ul> |   |
| <p><b>Results / Outputs:</b></p> <ul style="list-style-type: none"> <li>• Legislative and regulatory framework</li> </ul> | <ul style="list-style-type: none"> <li>• MSME Policy and Strategy Study delivered by April 30, 2012</li> <li>• MSME Development Act enacted by December 2012</li> </ul>  | <ul style="list-style-type: none"> <li>• Hard and electronic copies of document available from BELTRAIDE.</li> <li>• Cabinet minutes and Hansard records of parliament approval of</li> </ul>   | <ul style="list-style-type: none"> <li>• Policy and Strategy document approved by BELTRAIDE / GOB</li> <li>• Resources made available for implementation</li> </ul> |

|   |   |   |  |
|---|---|---|--|
| <ul style="list-style-type: none"> <li>• Increase flow of capital</li> <li>• Improved market access and competitiveness</li> <li>• Coordinated provision of relevant and quality business support services</li> </ul> | <ul style="list-style-type: none"> <li>• Policy implementation organ (Belize ADE) established by April 2013.</li> <li>• Provisions and systems in place for loan guarantee funds, equity financing and wholesaling of funds</li> <li>• Market information on local, regional and foreign market available through Belize ADE</li> <li>• Certification to quality and product standards available in Belize by December 2013</li> <li>• Registry of business support organisations established in relation to education and training needs.</li> </ul> | <p>MSME Act.</p> <ul style="list-style-type: none"> <li>• Physical establishment of Belize ADE</li> <li>• Reports on the establishments of these funds, records.</li> <li>• Records, published information, database, data on information requests and responses.</li> <li>• Implementation, training and conformity certification and reports.</li> <li>• MOUs</li> <li>• Belize ADE records, reports and minutes of meetings</li> </ul> | <ul style="list-style-type: none"> <li>• Timely implementation</li> <li>• Government budgetary support and access to low cost capital from regional and international sources.</li> <li>• Belize ADE is adequately resources (quality staff, systems, equipment) to gather and process market data.</li> <li>• MSMEs are willing to be certified and providers are recognised by the competent authorities.</li> <li>• BSOs are on-board and willing to collaborate and coordinate the provision of technical assistance and training services.</li> </ul> |
| <p><b><u>Inputs and Activities:</u></b></p>   | <p>For each pillar list actual activities to be undertaken with accompanying budget.</p>  | <ul style="list-style-type: none"> <li>• Activity records and reports</li> </ul>  | <ul style="list-style-type: none"> <li>• Demand by MSMEs for the services</li> <li>• MSMEs are receptive to the training and technical assistance</li> <li>• Funding to support/subsidise the provision for the services</li> <li>• MSMEs are willing to pay for the services</li> </ul>   |

## Annex 5: Belize ADE Structure and Operations

The elements of this Policy cut across the full spectrum of business support services. The Policy will be implemented by a broad range of service providers in the public, private and NGO sectors as well as external donors.

The proposed Belize ADE will lead implement this Policy.

Belize ADE sector specialists will work directly with service providers as well as MSMEs, offering all support possible to enhance the performance in the sector. The information specialists will have the task of gathering business information and making it available to the public, taking care to target information channels that are appropriate for MSMEs.

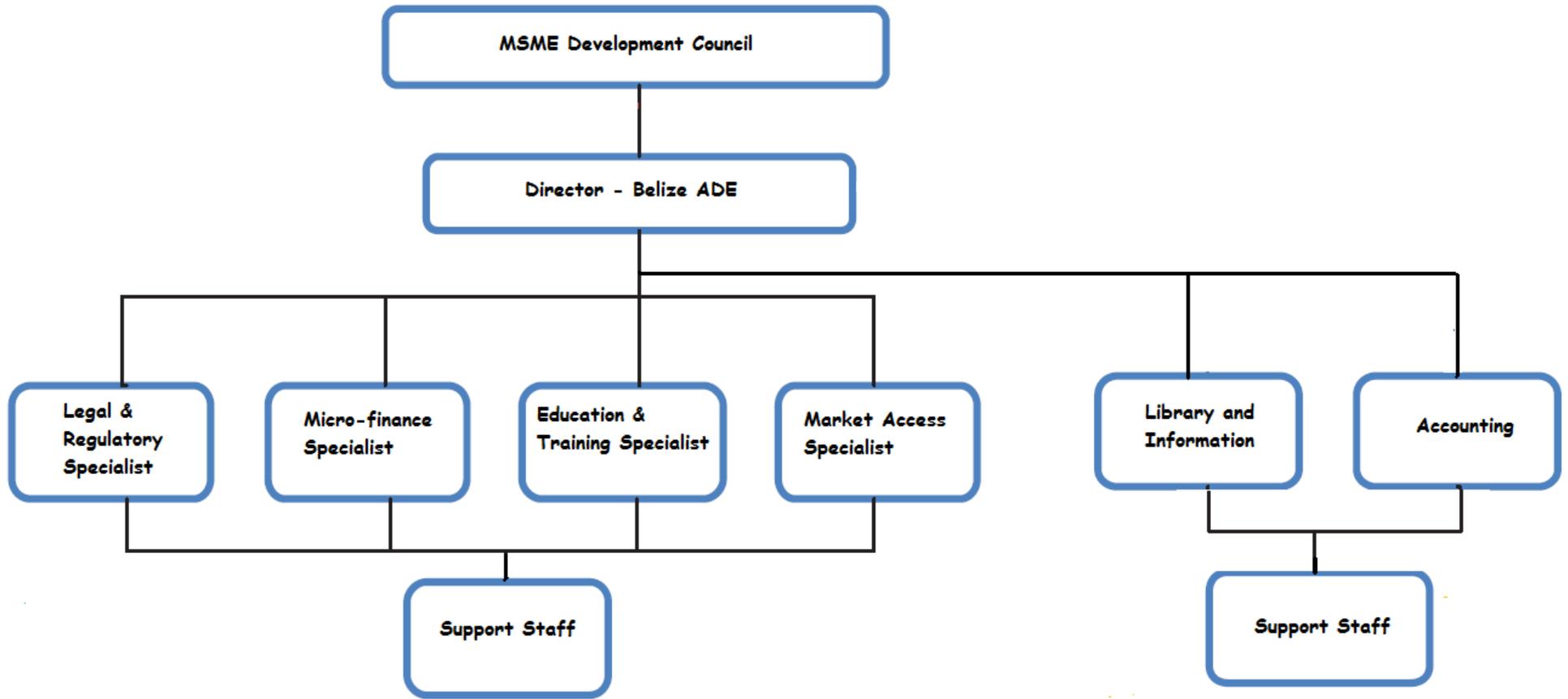
BELTRAIDE and The Ministry of Trade, Commerce and Industry will build the capacity of Belize ADE to provide those critical services needed to support Policy implementation. This will mean recruiting new staff with the requisite skills, training them to the extent needed, undertaking a careful planning process to construct the first year's work plan, and monitoring them closely during the first period. It will also mean constructing budgets and ensuring that operating and investment funds available.

It is important to note that there is no expectation of self-financing of Belize ADE beyond a limited ability to defray some costs of putting on events (such as training workshops) through charging minimal participation fees. Belize ADE operating costs should be covered by an annual Government subvention with some program and project costs tied to donor funding.

The proposed Organogram is provided overleaf.

The responsibilities of Belize ADE are:

1. To provide the *leadership* necessary for the implementation of the MSME Policy and Strategy for the sector.
2. To be a *one-stop clearing house* for all matters relating to the sector.
3. To facilitate and mobilise key players (private sector, NGOs, other BSOs, external donors) and partners in the development process.
4. To monitor policy implementation, gather performance data and report on progress towards the established metrics.



The specific tasks to be performed by Belize ADE are listed hereunder:

- formulate strategies for the sector
- develop and implement sectoral programmes and projects that address the needs of MSMEs and that are aimed at promoting the growth and competitiveness of the sector
- collaborate with public and private institutions and NGOs in the establishment and implementation of mechanisms for the development of MSMEs
- identify, develop and strengthen clusters
- develop strategies to enhance and promote market competitiveness both on a sectoral and on an individual enterprise level
- coordinate MSME development efforts, including education and training, technical assistance and financing
- Establish policies for technical cooperation
- register and declare approved MSMEs
- advise the Minister and the Government on all matters related to MSME Development
- implement Government's MSME Policy and Strategies for the sector
- oversee Government financing operations to the sector
- collect and disseminate information relating to local, regional and international markets
- promote and support the development of MSME support organisations and promote and encourage inter-agency linkages.
- provide direct technical assistance and training to MSME as required
- Administer the MSME Development Fund equity and grant portfolio
- any other functions as may be assigned by this Act or any regulations made hereunder

## Annex 6: Programs, Activities and Measures Proposed by MSMEs

### A: Arising from the MSME Consultations

| Issue                        | Program Areas   | Activities  | Timeline   | Responsibility  |
|------------------------------|---|---|------------|---|
| Access and cost of financing | <ul style="list-style-type: none"> <li>Develop an MSME business credit scheme</li> <li>Programs to assist MSMEs to access loans and grants</li> <li>External donor funding (FAO, CaribExport, etc.)</li> <li>Set up specific credit institution to service MSME</li> <li>MSME – BELTRAIDE initiative</li> </ul> | <ul style="list-style-type: none"> <li>Provide low interest, easily accessible loans (10%/8%)</li> <li>Minimise collateral demands by financing through clusters.</li> </ul>  | Early 2013 | DFC, Credit Unions, GOB, Commercial Banks, Small Farmer Business Bank |
|                              |   | <ul style="list-style-type: none"> <li>Grants and low cost loans through DFC, international donors and the diplomatic community.</li> <li>Create MSME windows</li> <li>Relax monetary policy</li> <li>More accommodating application process</li> <li>GOB to facilitate through BSOs.</li> <li>GOB-secured financing to Credit Unions</li> <li>Reduce time for loan approval.</li> <li>Appropriate repayment terms</li> <li>BELTRAIDE to liaise with the financial sector to access capital at reasonable rates.</li> <li>Promote programs and educate entrepreneurs and encourage investors to take risks</li> </ul> | Immediate  | BELTRAIDE, Financial institutions                                     |
| Markets and marketing        | <ul style="list-style-type: none"> <li>Training</li> <li>Create Associations</li> <li>Revamp BMDC</li> <li>Market Identification</li> <li>Ad campaigns</li> <li>Develop markets through clusters</li> <li>Technical Assistance and training in advertising</li> <li>Product</li> </ul>                          | <ul style="list-style-type: none"> <li>Identify Markets and issues related to joint marketing</li> <li>Promote “Buy Local,” buy Belize, buy organic</li> <li>Establish clusters and identify and prioritise market needs.</li> </ul>  | Immediate  | Cooperatives, NGOs, TDC, BELTRAIDE, Local Associations                |
|                              |   | <ul style="list-style-type: none"> <li>Implement market information system on products and services</li> <li>Cluster representatives to meet to prioritise issues.</li> <li>Strengthen clusters and promote collective</li> </ul>   | 2013       |   |

|                                  |  |   |             |   |
|----------------------------------|--|---|-------------|---|
|                                  | <ul style="list-style-type: none"> <li>identification/labelling; research, market (demand/supply)</li> <li>Define gaps and channels of distribution</li> <li>Evaluation/feedback</li> <li>Accessing markets with the help of BELTRAIDE and BCCI</li> </ul>   | <ul style="list-style-type: none"> <li>marketing, negotiations and financing.</li> <li>Training programs through BELTRAIDE, BIM and other NGOs</li> <li>Survey of competition (demand-supply)</li> <li>Ads/media</li> <li>Sales/sampling</li> <li>Incentives</li> <li>Workshops – train and educate on how to access markets</li> <li>Consult with MSMEs on their specific marketing problems and address these issues locally and abroad</li> <li>Training in quality control and cost effectiveness to be able to compete.</li> </ul> | 2012        | MSME with support from GOB  |
|                                  |  |   | 2013        | BELTRAIDE   |
| <b>Cost of doing business</b>    | <ul style="list-style-type: none"> <li>Assist MSMEs to reduce operating costs to make them more competitive</li> <li>Promote cooperatives and clusters / associations</li> <li>Fiscal incentive regime</li> </ul>  | <ul style="list-style-type: none"> <li>Exempt inputs from import duties.</li> <li>Assistance to open outlets in the US (visas, legislation, online selling)</li> <li>Reduce GST to 9%</li> <li>Tax breaks</li> <li>Reduce tariffs</li> <li>Lower BAHA restrictions</li> <li>Convene meetings to reach a mutual agreement</li> </ul>   | 2013        | BELTRAIDE, GOB  |
| <b>Business support services</b> | <ul style="list-style-type: none"> <li>Create a national capacity-building Institute.</li> <li>Organise education and training through clusters</li> <li>Technical assistance and training for owners, managers and employees.</li> <li>Business development programs</li> <li>Set up multilateral cooperation body</li> </ul> | <ul style="list-style-type: none"> <li>Create training modules</li> <li>Train trainers</li> <li>Monitor and evaluate</li> <li>Schools program</li> <li>Public Education</li> <li>A fiscal incentive program for micro and small businesses</li> <li>Establish MSME Association</li> <li>Convene meetings to address common training needs</li> <li>Prioritise needs</li> </ul>  | 2013 / 2014 | <ul style="list-style-type: none"> <li>BELTRAIDE</li> <li>GOB</li> <li>Line ministries</li> <li>University</li> <li>ITVET.</li> <li>IDB funding</li> <li>Local NGO's trainers</li> <li>Min of Education</li> <li>All tertiary institutes</li> <li>Credit Unions</li> <li>SIF other financial units</li> </ul> |

|   |  |  |           |  |
|---|--|--|-----------|--|
| Raw materials                             | <ul style="list-style-type: none"> <li>• Training and certification in HACCO, standards, TBTs and WTO</li> </ul>   | <ul style="list-style-type: none"> <li>• Identify technical assistance and training resources.</li> <li>• Arrange and schedule training workshops</li> <li>• Training programs through BELTRAIDE, BIM,BTB, BTIA and other NGO</li> <li>• Schedule workshops, seminars, attachments</li> <li>• Training in business planning and market access.</li> <li>• Incorporate business training in school curriculum.</li> <li>• Proposal writing and implementation</li> <li>• Monitoring and evaluation</li> <li>• Market intelligence</li> <li>• Business strategy development</li> <li>• Mentoring</li> <li>• ICT training</li> <li>• Improved TA from Ministry of Agriculture and other partners</li> <li>• Quality management; packaging and labeling</li> </ul> | Immediate | <ul style="list-style-type: none"> <li>• MSME Association</li> <li>BSOs and Small Business Association</li> </ul>                  |
|   | <ul style="list-style-type: none"> <li>• Tax and duty concession on imports of raw materials</li> </ul>  | <ul style="list-style-type: none"> <li>• Implement lower taxes for MSMEs</li> </ul>  | 2013      | <ul style="list-style-type: none"> <li>Ministry of Agriculture</li> <li>Foreign Affairs</li> <li>BELTRAIDE / BBS / BAHA</li> </ul> |
| Government support                        | <ul style="list-style-type: none"> <li>• Reduce bureaucracy by digitizing data (electronic data entry)</li> <li>• Easy access to information</li> </ul>  | <ul style="list-style-type: none"> <li>• Install scanners</li> <li>• Computerise records</li> <li>• TV, other media, web page</li> <li>• Workshop to educate public</li> <li>• Incentives, tax breaks</li> </ul>   | 2 years   | <ul style="list-style-type: none"> <li>GOB</li> </ul>  |
|   | <ul style="list-style-type: none"> <li>• Enforce laws currently on the books re bribery, contraband, etc.</li> <li>• Improve legal system</li> <li>• Educational, Ombudsman, Governor General</li> </ul> | <ul style="list-style-type: none"> <li>• Develop a unit that monitors government departments.</li> <li>• Strict policy to monitor what comes through the main ports of entry</li> <li>• Increase public workers' salary.</li> <li>• Create more employment.</li> <li>• Include in school curriculum</li> </ul>   | Ongoing   | <ul style="list-style-type: none"> <li>Town Council, trained personnel</li> </ul>  |
| Crime, corruption, political interference | <ul style="list-style-type: none"> <li>• Enforce laws currently on the books re bribery, contraband, etc.</li> <li>• Improve legal system</li> <li>• Educational, Ombudsman, Governor General</li> </ul> | <ul style="list-style-type: none"> <li>• Develop a unit that monitors government departments.</li> <li>• Strict policy to monitor what comes through the main ports of entry</li> <li>• Increase public workers' salary.</li> <li>• Create more employment.</li> <li>• Include in school curriculum</li> </ul>   | 5 years   | <ul style="list-style-type: none"> <li>GOB</li> </ul>  |

|                              |   |  |   |                                    |
|------------------------------|---|--|---|------------------------------------|
| Attitude of Belizeans        | <ul style="list-style-type: none"> <li>Public education and awareness, "buy-local" campaign</li> </ul>                    | <ul style="list-style-type: none"> <li>Private investigations</li> <li>Promote local products</li> <li>Signs in public places</li> <li>Sponsor products</li> <li>National trade shows</li> </ul>   | 2012 - 2013   | GOB, BELTRAIDE, MSMEs              |
|                              | Infrastructure  | <ul style="list-style-type: none"> <li>Better roads and streets.</li> <li>Improve sanitation, pest control, maintenance of drains and roads</li> <li>Improve security</li> </ul>   | <ul style="list-style-type: none"> <li>Reduce vehicle wear and tear and transportation costs</li> <li>Regular garbage collection and cleaning of drains.</li> <li>Police patrols</li> </ul> | 2013                               |
| Networking among MSMEs       | <ul style="list-style-type: none"> <li>Establish MSME Association</li> </ul>  | <ul style="list-style-type: none"> <li>Networking</li> <li>Advocate and lobby on behalf of MSME</li> </ul>   | Immediate   | BELTRAIDE, MSMEs                   |
| Fragmented support structure | <ul style="list-style-type: none"> <li>Form an umbrella or centralized organisation to manage MSME development</li> </ul> | <ul style="list-style-type: none"> <li>Business plan</li> <li>Capacity-building activities</li> <li>Define roles and responsibilities</li> </ul>   | Immediate   | GOB, MSME body, Local Associations |
|                              | <ul style="list-style-type: none"> <li>Establish "one stop shop" facility</li> </ul>                                      | <ul style="list-style-type: none"> <li>Establish agency</li> </ul>   | 2013  | GOB                                |
| ICT penetration              | <ul style="list-style-type: none"> <li>Improve penetration through clusters</li> </ul>                                    | <ul style="list-style-type: none"> <li>Establish MSME Association</li> <li>Convene meetings to address common ICT issues</li> </ul>  | Immediate   | BELTRAIDE, MSMEs                   |
|                              | <ul style="list-style-type: none"> <li>Develop and promote ICT</li> </ul>   | <ul style="list-style-type: none"> <li>Prioritise needs</li> <li>Identify technical assistance and training resources.</li> <li>Arrange and schedule training and attachments.</li> <li>Erect virtual and established facilities to assist the sector.</li> <li>Training programs in IT and management</li> <li>Lower the cost of ICT services</li> <li>Enable VOIP</li> </ul> | 2013  | GOB, Private Sector                |

## B. Arising from the MSME Questionnaire

1. Lower taxes for MSMEs and increase import duties on competing imports.
2. Improve infrastructure such as transportation, security and roads; for example, enter bilateral agreements with Mexico and Guatemala on public transportation.
3. Concessions across the board for MSMEs, including grants and low cost loans, access to finance, reasonable tax structure, fuel/energy cost.
4. More focus on culture and cultural products/program for sustainable economic development projects and programs
5. Technical support and training in product development
6. Import duty exemptions on production materials that are not available or produced in Belize.
7. A GOB initiated micro financing programme for the sector—affordability and accessibility.
8. Enforce measures to prevent contraband and corruption by Government officials.
9. Get more Belizeans involved in agriculture.
10. Insurance to cover agriculture in times of disasters such as hurricanes.
11. Financial support for skills training and marketing.
12. Assistance to access export markets, including better (lower) shipping costs.
13. Concessions on duties, taxes and utility costs.
14. Develop trademark and copyright laws and enforce them to product locally produced goods.
15. Develop standards for the safety of the consumer and protection of the entrepreneur.
16. Small farmers should get a machinery financing facility.
17. Design fiscal incentives specific for MSME including subsidies for agriculture.
18. Better education at tertiary levels so we can have good business people.
19. Politicians (government) stop victimization and be impartial.
20. Focus on the market for small farmers.
21. Decrease tax rates for imported goods (vehicles, equipment, raw materials).
22. More support, education and training, technical assistance.
23. To decrease and remove taxes from starting business and give small business duty exemption for at least 2 years.
24. Employment, infrastructure. Educating the people and helping them in their business and to have more employment.
25. Support Belizean people and products.
26. Focus on capacity building in budgeting, marketing and financing for purchasing of materials and equipment.
27. Promote micro small and medium enterprises, then assist them with incentives that encourage and help business people in taxation and create funding that can either be by loans or grants depending on the viable results, creating jobs and self sustainability to genuine businesses to generate income.
28. Practical sensible mechanisms to take production from the field to the shelves and across the borders.

29. Incentives through low interest loans & subsidies on fuel costs, transportation, taxes and processing materials.
30. Marketing, government regulation, transport and infrastructure, business support services, access to credit.
31. Help the small farmers with more mechanical and technical way and put more interest in agriculture because the organic food is better.
32. If the product is good quality and the business has the capacity to produce to meet demand, give the business exclusive right and deny importation of the product.
33. Give grants to businesses that are environmentally friendly, educational and have the ability to promote Belize internationally and the ability to provide employment for a large number of Belizeans.
34. No import duties for raw materials and packaging equipment for MSMEs.
35. Concessionary funding for setting up HACCP standards for export goods.
36. Work on information more quickly - less bureaucracy.
37. Have a specific plan to help and direct small business in the export area.
38. Better access to internet services.
39. Train people in customer service - we are really bad in this area.
40. Need a facility to advertise our business online at a reasonable price.
41. Establish and further integrate and support relations with specific market sectors in specific Caribbean Islands.
42. Education and (business management) training for owners and employees.
43. Improve technology infrastructure.

## Appendix 1: Small Business Development Centers

Starting Small Business Development Centers (SBDCs) are partnerships primarily between the government and colleges/universities administered by the US Small Business Administration and aims at giving educational services for small business owners and aspiring entrepreneurs. SBDC are different from *business incubators* which work primarily with *start-ups*.

### The Facts about SBDCs<sup>16</sup>

#### Location

- Located in all 50 states as well as the District of Columbia, Puerto Rico, and the U.S. Territories.
- Operated state-wide or at a state region-wide level.
- 63 Lead Small Business Development Centers (SBDCs)
  - Lead organisation coordinates program services offered to small businesses through a network of subcenters and satellite locations in each state.
  - Each center has a director, staff members, volunteers and part-time personnel

#### What is Offered?

- SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies
- All services given at SBDCs are free and confidential.
- Additional low cost training options are available.

#### Eligibility

- Assistance from an SBDC is available to anyone interested in beginning a small business for the first time or improving or expanding an existing small business, who cannot afford the services of a private consultant.

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<sup>16</sup> Source: <http://www.sba.gov/content/small-business-development-centers-sbdc>

## Appendix 2: Business Incubation at the University of Belize – The Entrepreneurial Center (TEC)

Business incubators are programs designed to support the successful development of entrepreneurial activity by providing business support resources and services developed and tailored to the needs of *start-up* firms both in the incubator and through its network of contacts. Successful completion of a business incubation program increases the likelihood that a start-up will succeed.

### The Entrepreneurial Center (TEC)

TEC will be a non-profit business incubator operating on a cost recovery model. It will be dedicated to supporting the growth of business start-ups in Belize and will foster collaboration and sharing among young firms and mentoring with successful entrepreneurs.

TEC will promote a business community with a culture that supports risk taking, innovation and the creation of wealth.

TEC will partner with Belize ADE and other BSOs to create a "one-stop shop" for entrepreneurial support.

### Services

TEC will provide the following services:

#### 1. Business Support

Clients will be able to utilise a network of in-house and external consultants and resources to address specific business issues. TEC will make available:

- Legal aid on a pro bono basis
- Advice on business start-ups, financing, quality management, human resource, marketing and technology.
- Access to University of Belize resources including faculty and business support from incubator staff.

#### 2. Office Space and Facilities

TEC will offer month-to-month rental designed to address the changing needs of business start-ups. Rent will include internet services, telephone, maintenance, utilities and access to common conference and shared office equipment. This will ensure that the start-up would not need to make investments to secure basic office needs.

#### 3. Networking

TEC will be a community of MSMEs that will foster collaboration and sharing among different productive activities. Weekly networking events / meetings will be arranged for the benefit of MSME owners and managers within the incubator.