

## The Context for Private Sector Development

### **The Policy Framework**

Private sector development is established as critical for increasing the pace of growth in many countries. But the way the private sector develops has a strong bearing on growth patterns, influencing whether growth is inclusive and broad or narrowly based.

Belize has yet to do the work to determine its aspirations and context for private sector development. While concurrent budget speeches<sup>88</sup> and at least two policy instruments (discussed further below) suggest a willingness to embrace PSD as a driver of economic growth, there does not appear to be consensus among stakeholders on the main objective/s behind private sector development or a common understanding of the modalities for PSD and why it is necessary for development.

Belize has neither a private sector development strategy, nor a productive development strategy. There is no evidence of a strategy or policy framework which establishes PSD as the cornerstone of Belize's development strategy, defines the objectives and approaches to private sector development in specific terms and which is broadly endorsed by all stakeholders. There is no current compendium of policies, laws or regulations pertaining to private sector activity. There is no regularly produced, accurate information set which measures and captures private sector characteristics and contribution to economic development and the trends to these over time.

There is a Medium Term Development Strategy (MTDS) 2010-2013, developed by the Ministry of Economic Development which enumerates the country's development aspirations for the relevant period. The current MTDS does speak to important priorities related to private sector development. These are: (1) The development of an enterprise culture and expansion of MSMEs, (2) Investment promotion and marketing of priority areas identified under the first NES, (3) Improved agriculture, agro-sector and manufacturing, (4) Promotion of tourism and other related services, (5) Expansion into Gaming, (6) Development of export financing, (7) Better export quality and certification management, and (7) Export and trade competency development.

A review of current PSD interventions show some correlation between the type of interventions and the priorities identified under the MTDS. This suggests that the MTDS is used to provide direction on private sector development in Belize and that donors for the most part use it as an indication of Government's priorities for development in the medium term.

However, according to PS stakeholders there are a few issues with the MTDS. First, the document identifies priorities and broad strategies but does not engage specific action plans and so it is widely regarded as normative i.e. private sector would develop if these things were achieved, rather than a viable, specific blueprint for PSD. Second, it is a production of the public sector and while there is some consultation and the Ministry must be applauded for its leadership, the priority areas and the attending strategies are not necessarily embraced or endorsed by private or all public sector stakeholders. For example, private sector stakeholders indicate that they would like to see supply side constraints and tax

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<sup>88</sup> Budget speeches from 2009-2011 were reviewed.

reform and other productive capacity constraints identified, discussed and addressed with specific, measurable tactical plans and time frames. Third, it does not define the expected roles and responsibilities of the public and private sectors or the specific outcomes from their contribution and so while involvement by private sector actors is implied, private sector stakeholders are not clear on how best to engage the plan. Finally, the plan is short term and private sector stakeholders are very aware and wary of the impact of the political cycle on investments which may engage and depend on the achievement of strategies elaborated in the MTDS.

There is also Horizon 2030, which enumerates the national development framework for Belize between 2010 and 2030. It posits that Belize in 2030 . . .

*"is a country of peace and tranquility, where citizens live in harmony with the natural environment and enjoy a high quality of life. Belizeans are an energetic, resourceful and independent people looking after their own development in a sustainable way."*<sup>9</sup>

To achieve this future state , the document elaborates goals and strategies pertaining to all aspects of development, including building economic resilience, promoting productivity and competitiveness and ensuring the environmental sustainability of economic activity. The specific goals in this area are:

- Increase agricultural production in a sustainable way and increase local values added through the development of agro-processing.
- Ensure a sustainable and profitable tourism sector.
- Develop a strong small business sector, a strong work force and a strong corps of entrepreneurs.
- Ensure that government is able to make timely investments in key economic infrastructure.

These are then supported by specific strategies including:

- Develop a Strong Small Business Sector to Create Jobs;
- Develop the Domestic Market as a Springboard for Exports, Produce Quality Goods and Services and Expand Exports;
- Build a Vibrant Agriculture Sector and Strong Rural Communities;
- Support Sustainable Fisheries and Build Sustainable and Responsible Tourism;
- Target Selected New Sectors with Growth Potential;
- Implement a coherent and consistent macro-economic policy framework;

This, unlike the MTDS, is considered to be the product of consultations with private sector stakeholders and generally representative of the aspirations for the private sector in Belize. The private sector, represented by the President of the BCCI, had a seat on the steering committee and the BCCI was a key partner in arranging and providing access to consultations for its members and other private sector stakeholders. Like the MTDS though Horizon 2030 currently has a credibility problem because there has been little movement on implementation since the document was produced in 2010. Since this document is intended to provide the broad framework for action, it is only in implementation that the

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<sup>9</sup> Horizon 2030, Vision for Belize, pg. 2

specific recipe for development is shaped and the specific role and contribution of the private sector is revealed.

But, the document does provide the best opportunity to frame a long term private sector development strategy, underpinned by and moored to the wider development agenda. Also, It does appear to recognize the importance of the private sector in the development equation and is the best indication of a commitment to private sector development in the long term. However at this stage it is an abstraction and considerable work remains to focus the agenda and move it to action.

There is also an investor manual, an exporter manual and a trade directory of importers and exporters which were produced in 2006 and can be found on Beltraide's website at [www.belizeinvest.org.bz](http://www.belizeinvest.org.bz). As well, the Belize Chamber of Commerce and Industry has a Trade and Investment portal off its main website ([www.belize.org](http://www.belize.org)) which highlights the trading environment and other issues important to investors.

### **Description of the Stakeholders**

Currently, there is no Ministry that leads government's private sector development initiatives. Beltraide, under the Ministry of Economic Development et.al, takes the lead on government's initiatives related to private sector but its mandate is confined to the promotion of micro, small and medium sized enterprises, fiscal incentives, export promotion and investment attraction. Issues important to private sector development such as tax policy, trade policy, fiscal responsibility, financing and finance incentives, property rights, competitiveness, standards, import licensing and health and safety issues are not managed by Beltraide. Instead responsibility for these are dispersed across the public sector.

It is necessary to mention that the general elections of March 7th 2012, which coincided with the production of this report, resulted in the re-election of the incumbent United Democratic Party and with it the promise for more of an institutional focus on private sector development. Relevant to this report is that the GoB intends to create a new Ministerial portfolio which captures and focuses on the issues and interests of the private sector. The new Ministry of Trade, Investment, Private Sector Development and Consumer Protection intends to integrate Beltraide, the Directorate of Foreign Trade, the Belize Bureau of Standards and the Gaming Commission, and will focus on developing the framework for an investment policy. At the writing of the report the specific mandate of the Ministry and its agency architecture were still under construction and so the information presented here may not be complete or may change. It is though a considerable and positive step in the PSD context in Belize.

Tables I and II immediately below attempt to capture the main stakeholders in the public and private sectors who are involved in PSD as of the production of this report.

**Table 1 - Public Sector Stakeholders**

Stakeholder	Description	Classification
Belize Trade and Investment Development Services (Beltraide)	The Belize Trade and Investment Development Service (BELTRAIDE) works to help international and local investors in establishing and developing a business in Belize.	National investment attraction and export promotion agency. MSME policy and development, National Export Strategy
Belize Bureau of Standards	The Belize Bureau of Standards is a government department that operates under the Ministry of Economic Development. The Bureau was established by the Standards Act of 1992 and continues to operate under the terms of the Standards Act Revised Edition of 2000 as the national organization for the <i>preparation, promotion and implementation</i> of standards relating to goods, services and processes.	Standards and Metrology Regulation, supplies control and import licenses
Belize Agriculture and Health Authority	The Belize Agricultural Health Authority (BAHA) is a statutory body designed to modernize the Agricultural Health Services in Belize. It was established under the Laws of Belize "Belize Agricultural Health Authority Act, Chapter 211 of the Substantive Laws of Belize Revised Edition 2000." BAHA is governed by a Board of Directors, which is the policy making organ of the Authority, with representatives from both Government and the Private Sector.	Health and Safety policy and Regulation
Ministry of Finance	The Ministry of Finance advises on the formulation and execution of financial policy, budget preparation, control and review, Fiscal management, Public debt servicing, insurance and banking	Macroeconomic stability, economic policy and Regulation
Gaming Control Board	Control and Regulate Gaming and provide for the administration of gaming licenses.	Gaming Regulation and Licensing
Ministry of Economic Development, Commerce and Industry and Consumer Protection	Ministry with the broadest mandate for private sector development. It oversees the operations of Beltraide, BBS, advises on economic policy and commercial development and is the focal points for all projects and programmes in Belize.	Private Sector Development policies and Regulation

<b>Central Bank of Belize</b>	Fosters monetary stability that promotes the growth of the economy of Belize and oversees all banking institutions and credit unions	Financial Services Policy and Regulation
<b>Ministry of Agriculture and Fisheries</b>	The Ministry of Agriculture and Fisheries promotes sustainable rural development and sees the agricultural sector (including livestock and fisheries) as providing the economic base for enhanced economic growth for the best recipe for poverty alleviation.	Agriculture Policy and Regulation
<b>Ministry of Tourism Belize Tourist Board</b>	Policy development, regulation oversight and enforcement and destination promotion authorities for the Tourism industry	Tourism related policy and regulation
<b>The Development Finance Corporation</b>	Resurrected in 2008 during the first term of the UDP government it provides the vehicle and main facility for private sector development funding from the state	Development Financing and MSME development
<b>Directorate of Foreign Trade</b>	Responsible for trade negotiations and for working with the private sector to develop the country's trading agenda	International Trade relations

Table 2 below provides a summary of private sector stakeholders relevant to private sector development in Belize.

**Table 2 - Summary of Private Sector stakeholders**

<b>Stakeholder</b>	<b>Description</b>	<b>Classification</b>
<b>The Belize Bank, the Bank of Nova Scotia, CIBC, Heritage bank, and a network of eleven credit unions</b>	Private sector financial institutions that provide funding for private sector development	Private Financing
<b>Belize Credit Union League</b>	A non-profit, second tier cooperative service organization	Private Financing
<b>Belize Chamber of Commerce and Industry (BCCI)</b>	the only active broad spectrum private sector organization. Its mandate provides for networking, training and development and advocacy across all sectors and all size of firms.	Business Support Organization
<b>Belize Tourism Industry Association (BTIA)</b>	Provides networking, training and advocacy for constituents in the Tourism sector. It serves as an umbrella organization for the Belize Hotel Association, the Belize Tour Guide and the Belize Tour Operator associations	Business Support Organization
<b>The Belize Coalition of Service Industries</b>	Has a mandate to promote services generally but has not been able to gain traction despite a recent grant	Business Support Organization

<b>Belize Business Bureau</b>	from the CartFund Has a legal mandate to promote industry and the productive sector but its activities are sporadic	Business Support Organization
<b>Youth Business Trust - Belize</b>	Training and financing facility to encourage entrepreneurship and youth enterprise. Serves constituents in the age range of 18-35	Business Support Organization, Financing
<b>Cane Farmers Association, Banana Growers Association and the Citrus Growers Association</b>	Promotes the interests of their private sector constituents in the relevant sectors	Business Support Organization
<b>University of the West Indies</b>	Regional university with a mandate to support private sector development and competitiveness. The open campus signed an agreement with the Belize Chamber of Commerce and Industry in 2010 to provide research support, training and knowledge management tools to the institution for use in the development of the private sector	University
<b>University of Belize</b>	The state university. It offers a business degree but does not appear to be extremely active in the promotion of private sector issues	University
<b>Galen University</b>	A private tertiary level institution which offers business studies up to the Master Degree level.	University
<b>National Trade Union Congress of Belize</b>	The central federation of trade unions in Belize, it represents seven unions from both the public and private sectors and as such represents a majority of workers in Belize	Labour and related issues

### Stakeholder Coordination

Stakeholders appear to recognize the need for coordination and dialogue at all levels, although actualizing effective mechanisms and approaches seem to elude them. The relevant government departments admit to a lack of coordination and differences in approaches and focus as it pertains to PSD and its related issues. The private sector organizations admit to failures to synthesize PSD issues and speak with one voice at both the sector and national levels and between employers and workers. Stakeholders from both sectors agree that a policy which focuses the priorities and defines the roles and contribution of both sectors toward a common development agenda would serve to improve the quality of communication and widen the space for coordination at all levels. Consider the following commentary from the BCCI's White Paper on Investments, a paper presented to government on February 26th of this year, on the current state of public/private dialogue for private sector development . . .

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

*For the most part, the exchanges between the public and private sector are of a 'consultative mode', and private sector's engagement is often inconsequential to policy development. For instance, various Statutory Bodies comprise a majority of board members who are political appointees acting under direction of the political directorate. Therefore, private sector concerns and positions, while always expressed and acknowledged, remain largely unimportant as they carry no great weight in guiding national policy initiatives. The culture of collaboration cannot be achieved overnight. With Government's realization that onward growth cannot be achieved without partnerships with the private sector, the BCCI is hopeful that the prospects to forge a renewed partnership are quite achievable."*<sup>10</sup>

## **Donor Coordination**

If the beneficiaries and stakeholders in private sector development are challenged by coordination failures, perhaps it is no surprise that the donors are also similarly challenged. The donors admit that while there have been attempts to coordinate interventions, for instance the IADB has led and funded several donor conferences/meetings, and the CDB and World Bank recently signed a Memorandum of Understanding to increase collaboration and coordination, there is no meaningful coordinating mechanism at either the country or donor level. The larger donors identify priorities through bilateral discussions with government officials, private sector players and organizations, and civil society organizations, reconcile the results of these with their own strategic thrusts and enumerate the results in a Country Strategy or plan which then guides their funding decisions for the duration of their operating cycles. Private sector funding, donors reluctantly admit is often the result of bilateral lobbying and discussions with government officials. The more thorough will reconcile the priorities and expand the search by including consultations with relevant private sector groupings but the safe conclusion is that PSD funding in Belize is not driven by coordination or directed by PSD policy<sup>11</sup>.

Those agencies which do not have a local presence rely for the most part on the Ministry of Economic Development, Commerce and Industry and Consumer Protection as the focal point for project execution and program facilitation. The Ministry is the de facto focal point for all projects, including those not related to PSD, but readily admits that it does little in the way of coordinating interventions in any

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<sup>10</sup> Investments in Belize , A Strategy for Innovation, Competitiveness, Entrepreneurship and Private Sector Development, Belize Chamber of Commerce and Industry, February 2012, pgs 23, 24.

<sup>11</sup> The MTDS is not considered an elaboration of Belize's PSD strategy.

context. It is constrained by resources to actively engage donors, open defiance of its central role in donor coordination by other line ministries and the general bureaucracy of the wider public sector. The head of the unit provided examples of interventions which were the result of bilateral discussions with other ministries and in which her unit had no involvement. She indicated that the intent is to work on the legislative framework that would establish the legitimacy needed for her group to effectively coordinate donor activity in Belize<sup>12</sup>.

### Overlap and Duplication, a feature of Donor Activity in Belize

The result of coordination failures at all levels is overlap and duplication of donor activity. The donor mapping suggests that the majority of interventions seek to address productive structure issues at the expense of policy and the broader business environment issues, and build institutional capacity often within the same institutions. Donors concede that the potential for instances of overlap, duplication or program saturation is increased because of coordination failures and failure to identify PSD priorities.

Perhaps the most evident example of this occurs in the country's attempt to facilitate access to finance/credit to disadvantaged and rural communities. The IADB/MIF's Institutional Strengthening of the Credit Union Sector program, a five year program closed February 15, 2012 is extremely similar in design to the Belize Rural Finance Program, the major difference being that the latter provides funding for on-lending while the former concentrates on institutional strengthening. Both are country loan facilities. While both are worthwhile interventions, with better coordination, perhaps the programs could have been designed to be complimentary instead of redundant as appears to be the case in the institutional strengthening component of the latter. Consider the particulars of both programs below in Table 3:

**Table 3 - Overlap and Duplication in Program Design**

Program	Institutional Strengthening of the Credit Union Sector	Belize Rural Finance Programme
<b>Donor</b>	IADB	IFAD/CABEI
<b>Funding USD</b>	.823 (includes counterpart)	6.04M (includes counterpart)
<b>Program Objectives</b>	<p>The project will strengthen the Credit Union (CU) sector in Belize. Its main objective is to enhance and strengthen the access to secure and sustainable financial services by the low to mid income populations, which include micro enterprises.</p> <p>The project's purpose is to expand and improve the quality of services offered by CUs and to improve its management capacities.</p> <p>The project will <b>seek to strengthen the individual CU's, as well as their umbrella organization, the Belize Credit Union League (BCUL). Individual CUs will receive technical assistance services to</b></p>	<p>The purpose of the Programme is to expand and enhance inclusive and sustainable rural financial services to underserved small farmers and rural population in Belize.</p> <p>Specific objectives of the RFP are:</p> <ol style="list-style-type: none"> <li><b>1. Improve governance, management and operational capabilities of CUs;</b></li> <li><b>2. Strengthen the BCUL in order to expand its capabilities for developing, coordinating and training the CUs' movement;</b></li> <li>3. Provide rural financial services, in particular credit facilities for agricultural production, rural non-agricultural entrepreneurial activities, and other selected activities;</li> <li>4. Foster the capitalization of both CUs and clients through rural poor affiliation to the</li> </ol>

<sup>12</sup> discussions with Ambassador Yvonne Hyde, CEO Ministry of Economic Development Et. Al., February 28th, 2012



	(i) adjust to the new regulatory framework for CUs, (ii) improve their managerial and operational capacities, and (iii) improve or develop financial products aimed at micro enterprises and low income populations. BCUL will be strengthened in its capacities to monitor and provide technical support to CU.	CUs' movement and the mobilization of savings; and 5. Establish knowledge management systems for information exchange
<b>Program duration</b>	4.2 years	May 2012 will make 3 years of operation
<b>Program Status</b>	Just concluded	Active

As well, the same stakeholder agencies appear to be the recipients of cycles of capacity building and strengthening interventions. For example, the IADB's Agriculture Services Program, scheduled to close Nov. 2014, focuses on strengthening the Belize Agriculture and Health Authority. The Belize Bureau of Standards was the recipient of .125M USD from the TradeCom facility for institutional strengthening, completed in August of 2010. The BRDP II contemplates another round of strengthening for both organizations. There are similar examples pertaining to the Directorate of Foreign Trade and Beltraide.

In the case of Beltraide, the Belize Chamber of Commerce and Industry just closed a project (Nov. 2011) entitled Promoting the Economic Development through European and Caribbean Partnership in which Beltraide and the Services Coalition were key partners. In specific terms, the action aimed to contribute to the development of the private sector through the capacity building of their intermediary organizations in investment attraction and export promotion. Beltraide is set to undergo another round of strengthening in the same areas, sponsored by Compete Caribbean, currently underway. Beltraide is also the executing agency and/or direct beneficiary of no less than seven current and five pipeline interventions. Two of which the National Export Strategy and the MSME interventions, are in a second funding cycle.

While successive rounds of strengthening do not necessarily imply duplication of effort, anecdotal evidence suggests that because of a systemic failure to manage program linkages, and administrative failures at the agency level, the potential for duplication in this context is great. Also, how many cycles of interventions are necessary before strengthening actually occurs and how is this measured?

Currently there are six projects to improve access to financing through on-lend facilities, three of which are facilitated by concessionary loans. Two are managed by the DFC, one by Atlantic Bank and the others through the Credit Union network. While three of the six have specific targets and all cite poverty alleviation as a result, with the exception of the grant to La Immaculada Credit Union from the ROC for the export of Papayas, none of them identify a focus or priority areas for lending. This situation begs a few questions. First, how many successful lending programs can be sustained given the size and relative unsophisticated nature of the market? Is there enough demand in the local economy and among the targets to justify the investment in six concurrent programs? Is competition in development financing without a development focus efficient? How is success measured? These are questions which remain unanswered but which could and should be answered as a first step to determine the potential for duplication and inefficiency at the design stage.

### Measuring the Impact

If there is a failure to define the priorities and specific approaches to private sector development, role ambiguity and a lack of coordination among stakeholders, a lack of information on the characteristics and contribution of the private sector and duplication and overlap in donor interventions, what then is the impact of donor interventions on PSD?

Donors, and certainly the larger ones employ sophisticated monitoring and evaluation systems to measure and track the success of their interventions. There is typically a compendium of desired outputs and outcomes which are measured against results throughout implementation by external experts, to determine success. Indicators of impact typically cover a range of outcomes, depending on the intervention. But who monitors and evaluates what really matters; i.e. the degree to which PSD interventions provide opportunities for the disadvantaged and the extent to which they can take advantage of these opportunities, and the net effect on overall economic development? The evidence suggests that these broad results are not measured by any agency.

Admittedly measurement at this level is not a simple undertaking. Establishing a correlation between donor interventions and impact on PSD and by extension economic development is complicated and time consuming and in some cases inconclusive. Nevertheless, understanding the individual and aggregated impact and contribution of donor interventions in meaningful terms, at a policy level is necessary if donor funding is to have the desired impact on PSD.

## 5.0 IDENTIFICATION OF OPPORTUNITIES TO ADDRESS OMITTED PRIORITY PROBLEMS

Following is a schedule of projects currently under consideration for further development under the IADB's country program as well as interventions they have identified as important and on which they welcome donor collaboration.

This together with the US Embassy's USD\$15,000 pipeline project to fund an Agriculture Summit in June of 2012, forms the basis for the most comprehensive catalogue of donor pipeline projects for Belize. However, it also suggests that donor interventions in the near future will continue to ignore the basics. Without exception stakeholders interviewed during this process agreed that the country needs assistance in understanding what it means to embrace PSD as a strategy for economic development, in defining how the private sector is to develop and the types of development outcomes it wants from private sector contributions. This conversation must take place among stakeholders so that roles and responsibilities are understood and structures are appropriately defined and adjusted. A private sector development strategy that the private sector can hold on to and rally around would be helpful. According to the President of the BCCI,

*"the haphazard approach to PSD and an increasingly hostile environment for the conduct of business here is harmful and worrying to the organized private sector. Mechanisms which provide a focus for dialogue on the way forward are badly needed."*<sup>13</sup>

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<sup>13</sup> Interview with Kay Menzies, President of the BCCI, February 24, 2012.