

## **EXPORTBELIZE UNIT OVERVIEW**

As the Trade Promotion Agency of Belize BELTRAIDE, specifically its unit EXPORTBelize, is tasked to identify methods to promote the country's products and services being offered across entities in the public and private sector. EXPORTBelize, a unit of BELTRAIDE, provides companies the following, but not limited to, export promotion and development services.

- Developing and executing strategies and activities for increased market access for Belizean products and services;
- Ensuring quality and consistency is continuously met by encouraging exporters to benchmark their products and services to international standards.
- Assisting enterprises in acquiring expertise, know-how, finances and systems necessary to enter export markets;
- Identifying and analysing export opportunities, viable export markets and potential business partners.
- EXPORTBelize works actively with their clients to develop a competitive and dynamic export sector founded on quality, innovation and customer orientation.
- Market access facilitation via:
  - Maximizing market opportunities in unison with trade agreements;
  - Collaborating with exporters in the promotion of their products and services locally, regionally and internationally;
  - Offering specialized business development services such as coaching and mentoring, market research and tailored business development trainings.
- New industry development and policy advocacy.

## **CHALLENGES / CONSTRAINTS – NEAR AND EXPORT READY EXPORTERS**

The following highlight key challenges conveyed by near and export ready companies in Belize.

### **Export of Products**

#### **Financing**

- Accessing affordable trade finance with terms that consider the unique position and situation of the firm and industry.
- Affording the cost of certifications and cost related to meeting market access requirements
- High cost of production that stymies their ability to engage in processing and value-added production and impacts competitiveness;
- Paying taxes on inputs and production equipment;
- Incidence of limited access to foreign exchange;
- Regulations that impact ability to pay and receive payment from external buyers.

#### **Preparing to Export**

- Accessing expertise and technical support programs for R&D, product development, and implementation of quality & food safety systems among others; that is, most times external consultants need to be sourced.
- Regulation that limits the opportunity to effectively engage in e-commerce; current financial regulations limit their ability to engage in ecommerce.

### **Export Logistics**

- Supply Chain disruption due to pandemic, that is, increase delays on importation of materials and exportation of products. Export to Europe and Asia takes much longer which comes with increased costs.
- Receiving payments due to shipping delays has increased from 10 days to 35 days now.
- Unable to import quality raw materials; such as carrots, exporters are forced to purchase undersized carrots on a per pound basis which is expensive and of low quality;
- Strikes at Port of Belize causes delays when they occur. Given COVID regulations, the process at the Port of Belize is lengthier.
- Exchange rates fluctuates and some countries might order only when the rates are favourable to them but then they face delays in receiving products even though they are advised to order 3 months in advance to ensure products arriving before stock is depleted.

### **Export of Services**

#### **Labour: quality and availability**

Besides competitive cost savings, it is continuously observed that Belize's labour force possesses strong customer-oriented skillsets accompanied, accent neutral language and strong cultural affinity to major markets as the United States of America (USA) and the United Kingdom (UK). However, as existing operators expand and new operators seek to establish presence in Belize, demand for talent increases and hence creates competition amongst operators; especially in Belize City which hosts over 50% of established contact centers. Commonly, qualifications being sought in the past were basic soft skills and fluent English language skills, however, global demand for value added services has led to a shift in an increase in demand for higher qualifications in more technical areas such as Financials and Accounting (F&A), Information Technology (I.T), etc. This thus means that more frequently, talent availability complemented by its literacy capabilities has become the most critical factor assessed by investment interests during the site selection phase.

While Belize's labor force offers excellent customer service skillsets, operators stated that it is rather difficult to identify suitable candidates with commendable work ethics, requisite skillsets and qualifications in performing higher tier value-added services. Captive centers have observed that it is continuously becoming more challenging to manage Belize's labor force as opposed to other competitors, such as the Philippines.

Labor laws are created to protect employee's rights in ensuring an equitable working environment, however, established operators cite continuous difficulties with the many loop holes found by employees to justify absenteeism from work. It has been expressed that these regulations are outdated and do not take into consideration new business models emerging across sectors especially within the offshore outsourcing services industry.

As the industry continues to develop, the following pose constraints to expansion:

1. Limited availability of a qualified labor force required to upscale into higher value-added services in areas such as Information Technology.
2. Sick leave periods are used as vacation days by agents during which they sometimes also seek employment at other centers; double dipping and thus collecting pay at both centers.
3. Agents are not obliged to work on Public and Bank Holidays and operators are still required to pay the day of work.

4. Continuous service after termination of contract. Contact centers, depending on the type of campaigns serviced, experience peak seasons and low seasons; consequently, they typically lay off employees at given periods and in most instances rehire based on demand. The problem cited is that if the operator rehires an agent within a period not exceeding six months, then its service shall not be treated as interrupted; that is, this would be counted in as part of the agent's cumulative service period with the company.

### **Investment Incentive Programs**

During site selection, there are various variables, most prevalent being cost savings, contributing to a company's decision on where to outsource. In most recent years Belize has experienced over 80% industry growth as companies noted its potential as a nearshore destination for outsourcing services. This growth was predominantly attributed to lower costs due its competitive labour wage and incentive package offered to investors.

Based on the **two (2) incentive programs administered by BELTRAIDE**, specifically the **Fiscal Incentive (FI) and Export Processing Zone (EPZ) programs**, operators seeking to establish presence in Belize were most often recommended to apply for an EPZ status. This incentive regime was applicable to primarily export oriented companies focusing on the production of value-added products or services. This twenty-year incentive regime offered various benefits as highlighted in **Table 2**. The benefits that were most applicable and helpful to outsourcing services companies under the EPZ program included: **custom duty exemptions, exemption from excise and consumption taxes on inputs (inputs: telecom, electricity and rent), eligibility to open foreign currency bank account and corporate tax exemptions**.

Due to international requirements by the World Trade Organization (WTO) and the European Union (EU) Belize, amongst many other countries, was required to revise its incentive regimes to become compliant per the organization's regulations. However, the outsourcing services industry was immensely affected. The following were key concerns highlighted by established operators.

### **Change in Incentive Program:**

- **Decrease of Companies' Competitiveness in International Markets:** The abrupt changes were not accounted for by the companies in their long-term contracts with clients and strategic planning. Hence, these changes significantly affected profit margins and forecasted expansion in the industry; that is, **forgoing** increase in **jobs** created.
- **New Incentive Regime NOT Suitable for Service Oriented Companies:** The new incentive program is more conducive and tailored for product export-oriented companies rather than services. While product-oriented companies are highly capital intensive and prioritize capital infrastructure and tangible raw materials, offshore outsourcing services companies are, on the contrary highly labor intensive and prioritize its labor force as the most critical factor for success with minimal capital investment on machinery etc. The sighted benefits under the Designated Processing Area (DPA) Hence, the operators have sought that the incentive regime take this into consideration and allow flexibility in terms of the benefits offered, such as (1) GST Exemptions and, (2) allowing the importation of transport vehicles (minivans/buses) for employees to and from the company's premises.
- **Redirect Investments to another Nearshore Location:** The savings received via the incentive program allowed companies to invest in capacity building programs for its employees, create more employment and invest in the construction of their own tailored buildings for expansion; this would reassure their commitment of their investment in

country. As a result of these changes, numerous companies, foreign direct investments (FDI), have indicated interest to **relocate** or **continue its expansionary endeavors** in another nearshore location such as **Jamaica, Dominican Republic** and even **Mexico City**.

- **Legal Uncertainty:** Additionally, these abrupt changes to the initial terms to invest in Belize, incentive contract for twenty (20) years, led to a decrease in investor's confidence; specifically, investors conveyed their concern on the absence of legal certainty when investing in Belize.
- **High Investment Threshold and Application Fees** – When establishing a contact center in a nearshore destination, a company's capital investment is minimal; typically ranging on average at \$50,000 - 100,000 USD requiring limited or no importation of equipment. Therefore, associated application fees are not feasible, hence, many new contact centers prefer not to pursue an incentive. **Similarly, most established contact centers who previously had an EPZ status indicated that they will not pursue the new incentive program, DPA, as the application process is time consuming and its benefits are not relevant to the industry.**

International platforms focused on news updates on nearshore destinations published the following articles conveying notable concerns by potential companies seeking to outsource to nearshore destinations.

[BPOs Argue Tax Changes in Belize Violate Incentive Promises](#)  
[The Hard Lesson that Belize BPOs Now Live With](#)

**Table 3** below provides a brief synopsis of the changes to the incentive programs, including the benefits most applicable to the outsourcing industry under the DPA program.

<b>Export Processing Zone (EPZ)</b>	<b>Designated Processing Area (DPA)</b>	<b>DPA Benefits Applicability to Service Oriented Companies</b>
<ul style="list-style-type: none"> <li>● Import duty exemptions on construction materials, capital equipment and inputs.</li> <li>● Import duty exemption on forklifts, flat beds, industrial vehicles and similar vehicles used exclusively within the EPZ.</li> <li>● Duty and tax exemption on diesel and other industrial fuels used for energy generation purpose in the EPZ.</li> <li>● Exemption on General Sales Tax on imports.</li> </ul>	<ul style="list-style-type: none"> <li>● Import Duty and Tax Exemptions.</li> <li>● Exemptions from Excise and Consumption (GST) taxes on imported inputs.</li> </ul>	<p>Limited quantities and frequency on importation of equipment. <b>No importation of packaging material, raw material.</b></p>

<ul style="list-style-type: none"> <li>• Exemption from capital gains tax</li> </ul>	<ul style="list-style-type: none"> <li>• Preferential Tax Rate based on Chargeable Income as per the Income and Business Tax Act (Amendment Act No. 26 of 2018)</li> </ul>	Applicable to larger companies generating higher revenues. New companies breakeven and start generating profits until year five (5) post establishment.
<ul style="list-style-type: none"> <li>• Exemption property tax, land tax of designated area and taxes on trade turnover.</li> </ul>	<ul style="list-style-type: none"> <li>• Exemptions from property and land taxes on the designated area</li> </ul>	<b>Over 90% of Outsourcing Service Providers do not own property but rather lease available spaces.</b> With the amendment of the General Sales Tax Act (GST), outsourcing service companies do not receive reimbursements from GST paid on rent regardless of having a DPA status.
<ul style="list-style-type: none"> <li>• Exemption from excise and consumption taxes on inputs.</li> </ul>	Not available	Due to changes in the General Sales Tax Act (GST), Outsourcing Service companies do not benefit from exemptions on consumption taxes on inputs regardless of having a DPA status.
<ul style="list-style-type: none"> <li>• Dividend tax exemption for the EPZ holder.</li> </ul>	Not Available	Not Available
<ul style="list-style-type: none"> <li>• Eligibility to open foreign currency bank account in accordance with Central Bank regulation.</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to open foreign currency bank accounts in Belize</li> </ul>	<b>Applicable</b>
	<ul style="list-style-type: none"> <li>• Opportunity to sell, lease or transfer goods and services between DPA companies.</li> </ul>	<b>Limited applicability</b> as there is limited importation of equipment as most are sourced locally.
<ul style="list-style-type: none"> <li>• Customs inspection at the Zone for expediency.</li> </ul>	<ul style="list-style-type: none"> <li>• Customs inspection at the designated area for expediency</li> </ul>	Applicable but <b>limited use</b> as importation is not frequent.

<ul style="list-style-type: none"> <li>• Work permits may be granted for up to 15% of workers of the EPZ. All positions must be of senior management or technical level.</li> </ul>	<ul style="list-style-type: none"> <li>• Work permits may be granted for up to 15% of workers of the DPA (Senior Management or Technical Staff)</li> </ul>	<b>Applicable</b>
<ul style="list-style-type: none"> <li>• Exemptions from the Supplies Control Act with administrative procedure applies.</li> </ul>	<ul style="list-style-type: none"> <li>• Supplies Control and Import Licenses does not apply to inputs used for exports</li> </ul>	<b>Not Applicable.</b>
<ul style="list-style-type: none"> <li>• Exemption from Trade License.</li> </ul>	<ul style="list-style-type: none"> <li>• Exemption from Trade Licensing Act</li> </ul>	<b>Applicable</b>
<ul style="list-style-type: none"> <li>• Period of time: Twenty years (20) years, with an option to renew.</li> </ul>	<ul style="list-style-type: none"> <li>• Period of Time: Ten (10) years, with option to renew for up to ten (10) years.</li> </ul>	Due to the nature of these types of ventures, <b>new companies</b> have indicated that profits begin yielding until year five (5) post establishment.

## **Doing Business in Belize**

### **Amendment to General Sales Tax (GST) Act**

Prior to the amendments made to the General Sales Tax (GST) Act in 2018, Business Process Outsourcing (BPO) companies were able to register for General Sales Tax (GST) as sales emanating from their transactions were 0% rated. Therefore, annual returns were received from operating expenses such as telecom, electricity and rent. The amendments made in 2018, state that Business Process Outsourcing (BPO) services are now exempt from General Sales Tax Act. This then prohibits outsourcing services companies to register for GST and thus receive no returns on operating expenses.

Taking into account these cost savings via exemptions on consumption taxes on inputs, Belize positioned itself as a cost-effective nearshore destination. However, the aforementioned changes to the GST act have hindered projected growth amongst established companies and potential FDI seeking nearshore destinations. It was conveyed that GST returns contributed significantly to cost savings and efficiency as most operators used these savings to invest in other areas such as employee enhancement programs and transportation mechanisms for their employees.

Whilst facilitating inbound visits by potential third party providers with presence in the USA and other locations, company representatives, such as CEOs, conveyed their preference and decision to outsource to another location such as the Dominican Republic or Jamaica; alternative locations which offer competitive incentive packages; including tax exemptions on inputs.

### **E-Governance**

The paper work required by the various governmental processes are deemed as extensive. Therefore, there is a call by operators for the ability to fill-out forms electronically as well as providing all public forms available from the different government agencies online. This will minimize the back and forth communication and travel. By allowing electronic submission of documents, the processes can expedite.

Additionally, the response rate from the government agencies and ministries, specifically for compliance and guidance, has been expressed to require improvements for added efficiency.

### **Transportation**

Transportation for agents can sometimes become challenging based on assigned schedules. The export of service implies that operators need to adjust to the time zones of their clients. Hence, Belize's current transportation system is not amenable to various time schedules, particularly those servicing 24/7 campaigns. Consequently, operators have had to identify alternative solutions such as investing in vehicles/buses to provide transportation to their agents. However, this is sometimes costly as operators have expressed dismay that vehicles for transportation are not eligible under the Designated Processing Area (DPA).

### **Data Protection**

Regulations for protecting data in Belize was identified to be obsolete by the operators surveyed. This proves to be a challenge since top level clients require clear and updated data protection regulations by countries to protect clients against these issues.

## **BelizeINVEST**

BelizeINVEST continues to promote and administrate existing **Fiscal Incentive (FI) and Designated Processing Areas (DPA) Concession Holders** that remain under BELTRAIDE. Currently, BELTRAIDE has **thirty-eight (38) active FI** Concession Holders and **forty 40 active DPA** Concession Holders that it administrates investment incentives for under including the Customs ASYCUDA System.

BelizeINVEST team fostered in excess of one hundred and twenty (120) interests/queries as of April 30, 2022. The teams annual benchmark goals include leads in the sectors of Tourism, Light Manufacturing, with other priority investment sectors, particularly the Offshore Outsourcing sector. It has been noted that a substantial chunk of queries was general business establishment guidance inclusive of site selection and investment incentive facilitation.

### **Single Investment Window**

- **Recommendation of Sectors, Subsectors and Municipalities that would be most suited for the Single Investment Window mapping.**

The **National Investment Policy & Strategy** highlighted eight (8) pillars to position Belize as a competitive, robust and favourite investment hub in the Central America region by 2030. In accordance with the National Investment Policy & Strategy, the main sectors for investment opportunities include:

Sector	Sub-Sector Focus
Agriculture, Agribusiness & Agro-Processing	<ul style="list-style-type: none"><li>• Value-added processing of main primary products</li><li>• Forestry, biomass/ energy production</li><li>• Minor crop expansion, peppers, cocoa, coffee etc.</li><li>• Furniture assembly</li></ul>
Tourism & Leisure	<ul style="list-style-type: none"><li>• Culture tourism</li><li>• Offshore Medical facilities</li><li>• Offshore educational facilities</li><li>• Adventure tourism</li></ul>
Green Infrastructure/ sustainable renewable energy-bio-mass, etc.	<ul style="list-style-type: none"><li>• Greenfield solar, bio-mass, bio-fuel and hydro energy</li><li>• Energy efficiency plant</li><li>• Logistics services</li></ul>

- **A copy of the draft National Investment Policy and Strategy (NIPS).**

Please find herein enclosed a summary of the National Investment Policy and Strategy for your perusal.

NOTE: Requesting consideration based on the proposed budget to link couple pillars to the SIW project.



- **Determination of BelizeINVEST, BELTRAIDE's potential role as the Single Investment Window coordinator.**

In accordance with the National Investment Policy & Strategy, the proposed composition of the technical group include representation from Ministry of Finance, Economic Development & Investment, Ministry of Foreign Affairs, Foreign Trade & Immigration, Ministry of Tourism & Diaspora Relations, BELTRAIDE, Economic Development Council.

- **A list of the common bottlenecks identified by investors listed by importance.**

Some of the challenges faced by investors include but not limited to:

- Deficiencies in existing business incentives
- Slow and bureaucratic public processes, low responsiveness of the public sector towards the private sector.
- Public physical infrastructure inadequate for optimal economic development
- Shortage of skilled labor
- Difficulties in accessing finance
- Small size of the economy, high delivery costs of public and private products and services
- High costs of doing business in Belize
- Weak R&D, innovation, technology transfer and technical capacity in Belize
- Poor national branding, external image of the country
- Small size of firms, low sophistication of products/processes

- **Tools:**

Currently, the IT unit is developing an online portal for the daily administration of duty exemption requests. Once completed, the team will explore the option to hyperlink our system with the Customs World ASYCUDA system for the importation of duty-free items.

The team is open to exploring additional tools for investment client under the SIW project.

- **Professional development**

- International Investment Promotion Best Practice Trainings including Aftercare
- Cross-Sectoral Capacity Building Trainings for Team Enhancement
  - Legal training
  - Project planning/ development

- **Projects:**

- **National Investment Policy and Strategy (NIPS).** It is expected that a Cabinet paper will be tabled outlining the eight (8) pillars inclusive of the requisite resources (endorsement and support from the respective line ministries outlined via the strategy) required to successfully implement the National Investment Policy and Strategy.
- **Ease of doing business project:** In 2021 the World Bank discontinued the Ease of Doing Business report, subsequently, CAIPA submitted a project proposal focused on improving the ease of starting a business in the Caribbean for consideration to the Caribbean Development Bank. CAIPA is awaiting approval for the project proposal that will benefit CAIPA members including Belize in attracting FDI's for the country. BelizeINVEST continues to provide technical support in the ensuing months to finalize the project concept and in the implementation phases.

- **Caribbean Association of Investment Promotion Agency Website:** CAIPA in collaboration with ResearchFDI and Golden Shovel designed an investment promotion website featuring CAIPA members to foster lead generations. The website will feature press releases, event announcement, and collateral materials to attract investments to the Caribbean. It is the intent of CAIPA to add an interactive map for iGuides and photos for the IPA contact person. BelizeINVEST will continue to provide technical support and submit timely promotional materials as lead generation for Belize.

- **National Promotional Events and Activities for Investment Visibility and Promotion**

- **Hosting of Webinars for diplomats on Investment Promotion with MFA**
- **Promoting the Belize Investment Portfolio (BIP) Phase 3 - Call for Shovel-Ready Projects / Concepts**
- **Investment Roadshow**
- **Hosting of a B2B Investment Networking Mixer to support matchmaking and lead generations**

- The **Belize Investment Summit** fostered in excess of BZD \$642 Million investment opportunities. The investment interest include leads in the sectors of Tourism, Light Manufacturing, Agro-Processing and Logistics with other priority investment sectors, particularly the Offshore Outsourcing sector. BELTRAIDE as the investment promotion agency will continue to promote the project opportunities generated at the first investment summit. Below encapsulates an overview of the project by sectors:

**Investment Opportunities**

- Tourism Investment Leads: BZD \$21.10 Million
- Agribusiness & Agro-Processing Investment Leads: BZD \$126 Million
- Fisheries & Aquaculture Leads: BZD \$9.6 Million
- Light Manufacturing Leads: BZD \$27.9 Million
- Logistics Leads: BZD \$ 408 Million
- Offshore Outsourcing Leads: BZD \$ 1.6 Million
- NGO's Lead: BZD \$ 0.14 Million
- Real Estate Leads: BZD \$ 25.5 Million
- Business Service Provider Leads: BZD \$ 22.28 Million