

ABSTRACT

Belize's first National Entrepreneurship Report presents analyses and insights gleaned from the GEM Adult Population and National Expert Surveys. These Surveys attempt to capture BELIZE's entrepreneurship pulse through questions of perception, activity levels, financing and demographics. The findings are stacked against global counterparts, especially those in the Latin America and Caribbean Region and inferences are made where data supports

GLOBAL ENTREPRENEURSHIP MONITOR

NATIONAL REPORT

BELIZE

2014

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1.0 MOTIVATION

The Economic Development Council (EDC) was launched by the Prime Minister of Belize in October 2011 to function as the primary vehicle for public-private dialogue and policy action aimed towards private sector development. From its inception, the EDC launched several initiatives to help bridge the partnership between the public and private sectors. It quickly became apparent to the EDC that the lack of reliable data and statistics on entrepreneurship, including the major drivers and constraints of entrepreneurial activity, were major gaps in the framing of social and developmental policies. The EDC recognized the Global Entrepreneurship Monitor (GEM) process as a globally validated means of accessing much needed information about, and inferences into, the state of entrepreneurship in economies across the globe. To this end, the EDC, with support from Compete Caribbean, became a member of GEM in January 2014 and executed the Country's first iteration of the Survey in the same year.

Compete Caribbean is a private sector development program that provides technical assistance grants and investment funding to support productive development policies, business climate reforms, clustering initiatives and Small and Medium Size Enterprise (SME) development activities in the Caribbean region. The program, jointly funded by the Inter-American Development Bank (IDB), the United Kingdom Department for International Development (DFID) and the Government of Canada, supports projects in 15 Caribbean countries. Projects in the OECS countries are implemented in partnership with the Caribbean Development Bank.

The GEM National Report for Belize is the first publication providing a comprehensive assessment of the state of entrepreneurship in Belize. The results presented herein will set the baseline for measuring and understanding Belize's entrepreneurial activity.

2.0 EXECUTIVE SUMMARY

GEM's overarching goal is to enhance the collective understanding of the entrepreneurship phenomenon and its transformative role in stages of economic development and private sector vitality. GEM has conducted over 200,000 interviews, in over 100 countries, through partnerships with hundreds of specialists, educational, research and funding institutions. GEM's efforts have culminated in 16 years of reliable, globally relevant and comparable data. Belize is now a part of GEM and conducted its first national survey in 2014 using the standard methodology and framework.

The results of the 2014 survey forms the baseline for future investigations into the quality and extent of and ecosystem which will support entrepreneurship in Belize. Several policy recommendations have already been suggested by the surveyed experts pertaining to ways in which the enabling environment can be strengthened. Foremost are recommendations for more innovative financing streams with greater ease of accessibility. Secondly, revamping the national education policy to explicitly incorporate personal development and business courses would enhance the entrepreneurial acumen, and possibly minimize risk aversion. Also, it is evident that there is insufficient cross-fertilization of knowledge within the public sector, and between the public sector and their private sector counterparts. Surveyed experts were peculiarly unaware of ongoing policy efforts to strengthen entrepreneurship in Belize, such as the well-established and well-resourced Belize Trade and Investment Development Service (BELTRAIDE) projects and programs. Furthermore, these advocacy efforts and training programs need to be mainstreamed into national media.

Lastly, measurement, reporting and monitoring must be institutionalized. There is the need to continue with the GEM survey with sufficient frequency so as to establish clear trends and better monitor the efficacy of any resulting policy initiatives, as well as on-going projects and programs and to be able to draw more reliable inferences. The EDC has already made recommendations for the inclusion of non-routine survey questions/metrics that will help elucidate latent issues. The usefulness of the Survey and this resulting report cannot be overstated.

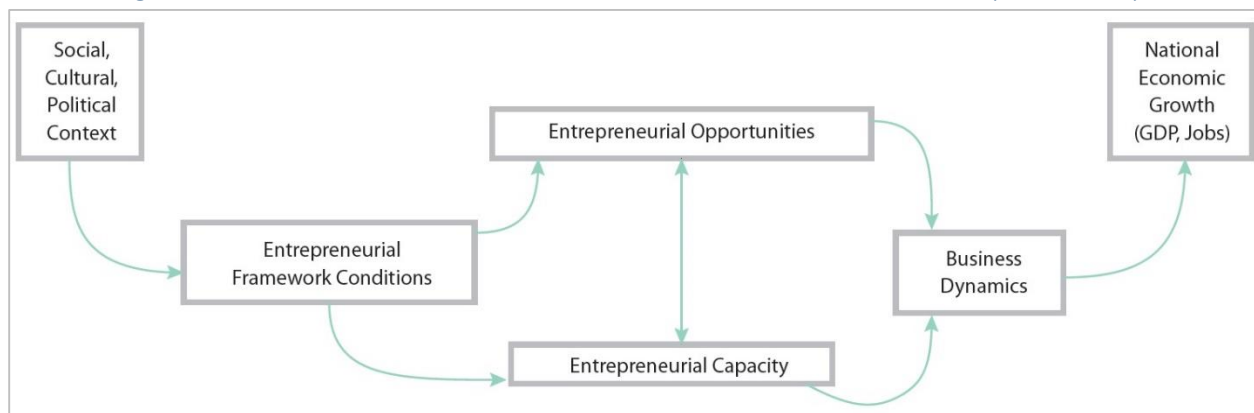
3.0 INTRODUCTION AND BACKGROUND

The Global Entrepreneurship Monitor centralizes and comprehensively captures data on entrepreneurship behavior and attitudes as well as the national context through which entrepreneurship operates and thrives. Its main objectives are as follows:

1. Assess the level of entrepreneurial activity in the reporting economy;
2. Diagnose the entrepreneurial landscape by identifying the factors which help or hinder entrepreneurial activity;
3. Determine the extent to which entrepreneurial activity influences economic growth within individual economies; and
4. Identify policy implications for enhancing entrepreneurial capacity in an economy.

Through this platform, GEM catapults research and policy-based efforts for enhancing entrepreneurship. The GEM process is highly standardized and allows for comparisons of entrepreneurship activity globally and based on the stage of economic development of the country. In fact, at its conception, the first framework (Figure 4.1) depicted the interdependence between entrepreneurship, economic development and the enabling environment which surrounds entrepreneurship (See Reynolds, Hay and Camp., 1999, p.3).

Figure 3.1: Conventional Framework for Economic Growth and Entrepreneurship



Source: Reynolds, Hay and Camp (1999)

To date, the initial conceptual framework has undergone several modifications. The current framework (Figure 4.2), now explicitly includes the components of **Social, Cultural, Political and Economic Context, Social Values towards Entrepreneurship, Individual Attributes, and Entrepreneurial Activity.**

The **Social, Cultural, Political and Economic Context** relies on the World Economic Forum’s twelve pillars for profiling economic development phases. Countries are first categorized based on the level of market competitiveness. The level of market competitiveness then indicates the stage of economic development – early stage (factor-driven), the middle stage (efficiency-driven), and the most advanced stage (innovation). In addition to this, GEM utilizes its own nine (9) National Entrepreneurial Conditions to gauge the regulatory context for entrepreneurship:

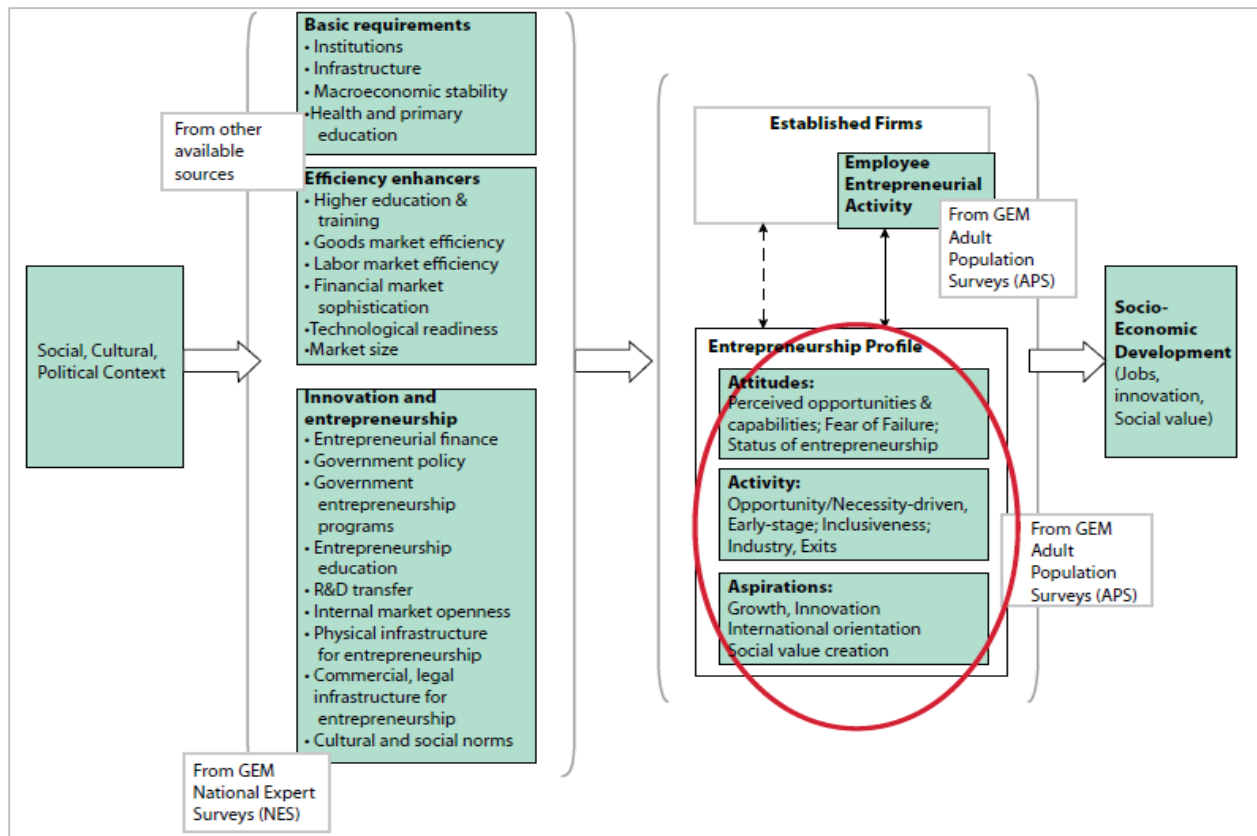
1. Entrepreneurial Finance;
2. Government Policy;
3. Government Entrepreneurship Programs;
4. Entrepreneurship Education;
5. R&D Transfer;
6. Commercial and Legal Infrastructure;
7. Market Entry Regulation;
8. Physical Infrastructure; and
9. Cultural and Social Norms.

GEM assesses **Social Values towards Entrepreneurship** by surveying how society values entrepreneurship as a good career choice; if entrepreneurs have a high social status; and how media attention to entrepreneurship is contributing (or not) to the development of a national entrepreneurial culture.

Individual Attributes capture several demographic factors (gender, age, and geographic location), psychological factors (perceived capabilities, perceived opportunities, fear of failure) and motivational aspects (necessity-based vs. opportunity-based venturing, improvement-driven venturing, etc.) driving entrepreneurship.

Lastly, **Entrepreneurial Activity** is defined along the life cycle phases (nascent, new venture, established venture, discontinuation), the types of activity (high growth, innovation, internationalization) and the sector of the activity (Total Early-stage Entrepreneurial Activity—TEA, Social Entrepreneurial Activity—SEA, Employee Entrepreneurial Activity—EEA).

Figure 3.2 The GEM Conceptual Framework (used in GEM surveys up to 2014)



Source: GEM Global Report 2013

While the original conceptual framework has evolved, there are a couple of underlying principles which have remain unchanged:

1. Entrepreneurial activity is not a heroic act of an individual, regardless of the environment in which the activity is performed.
2. Entrepreneurial activity is an output of the interaction of an individual's perception of an opportunity and capacity (motivation and skills) to act upon this AND the distinct conditions of the respective environment in which the individual is located.

4.0 THE GEM METHODOLOGY IN BRIEF

Implementing the GEM survey is an active collaboration between each national team and the Global Entrepreneurship Research Association (GERA) expert team, supported by two bodies of representatives of national teams: the Research and Innovation Advisory Committee (which clarifies the conceptual framework, operational definitions and methodology, including surveying tools) and the Data Quality team (which works on data quality issues). The GEM Belize National Team¹ was established in January 2014 at the behest of EDC.

GEM uses two major survey tools for collecting data². The first, the **Adult Population Survey (APS)** is used to retrieve data on attributes, attitudes and activities of individuals. The second, the **National Experts Survey (NES)**, collects experts' opinions about the components of the Entrepreneurial Framework Conditions.

The APS surveys 2,200 randomly selected respondents, 18 years and older in each country. The APS is conducted each year, from April to June, by independent survey vendors, using the GEM standard APS questionnaire. The Belize 2014 APS survey was executed by Sacoda Serv Limited, under the supervision and management of the survey vendor Arthur Lok Jack Graduate School of Business, both agencies operating out of Trinidad and Tobago. In the case of Belize APS, there were 2084 respondents subjected to face-to-face interviews.

The NES, likewise, is conducted every year, during the same period of time, by GEM national teams, comprised of at least 36 experts (four experts for each of the nine components of the Entrepreneurial Framework Conditions), using the GEM questionnaire. In Belize, 37 experts were interviewed, the majority by electronic means and a few by face-to-face interviews.

It is a basic expectation of the GEM survey that it will provide reliable data on entrepreneurial attributes and activities among women and men around the world and the quality of their environment. Therefore, all countries participating in the GEM Survey utilize the same standardized surveying tools (questionnaires) and procedures. This approach enables comparisons in time, both on a country level and among countries. Updated information about the data collection procedures is available in the GEM Data Manual at www.gemconsortium.org. Additionally, at the start of each survey cycle, the GEM issues a request for proposals (RFP) which provide detailed guidance to the GEM standards and procedures (see Annex 1 for 2014 RFP).

Data collected by national teams is part of the GEM global data set, the GERA expert team carries out all computing activities, and the annual global report is generated by volunteer-researchers from the national teams. National teams are furnished with the country data set (APS

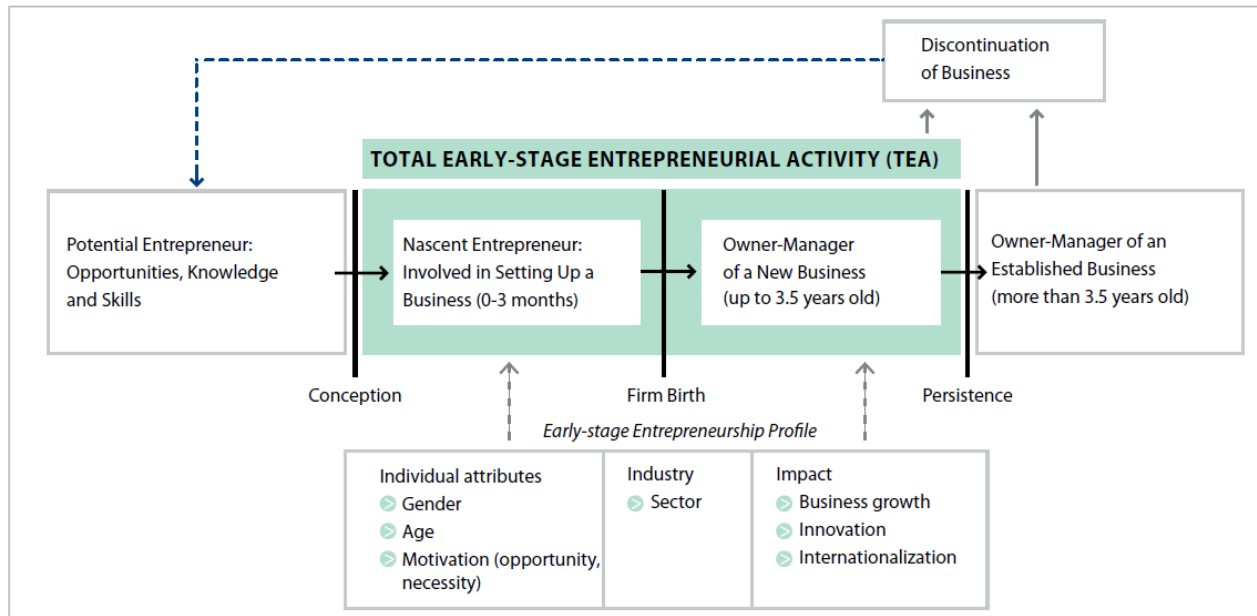
¹ GEM Belize National Team: Amparo Masson (Office of Prime Minister); Melanie Gideon (BELTRAIDE); Yashin Dujon (Directorate of Foreign Trade); Duane Belisle (Ministry of Finance and Economic Development); Kim Aikman (Belize Chamber of Commerce and Industry); Dale Young (Belize Agro-Productive Sector Group); Jefte Ochaeta (Statistical Institute of Belize); Philip J. Castillo (University of Belize).

² Global Entrepreneurship Monitor: "GEM Wiki Annual Data Collection Process". <http://gemconsortium.org/about/wiki>

individual-level data), as well as insights on the global data set (APS national-level data that has been harmonized for inter-country comparisons) for further researching and production of national reports.

Based on the GEM conceptual framework and collected data, a set of numerous indicators are calculated and included in global and national reports. The single most comprehensive metric is the TEA which is the percentage of individuals aged 18-64 who are either a nascent entrepreneur or owner-manager of a new business. Figure 2.1 shows the interactions between the individual attributes measured by the APS and how that impacts, conceptually, the extent of entrepreneurial activity in a given economy. (See Glossary for additional terms and definitions.)

Figure 4.1 Total Early-Stage Entrepreneurial Activity (TEA)



Source: GEM 2014 Global Report

5.0 KEY OVERALL FINDINGS AND CONTEXTUAL ANALYSIS

5.1 Individual Attributes

Psychological Factors

Within the context of the GEM entrepreneurship framework conditions, **perception of opportunities**, own **capabilities** to act entrepreneurially, **fear of failure**, and **entrepreneurial intentions** are individual attributes believed to be precursors to entrepreneurship activities. In Belize, perceptions of own capabilities to act entrepreneurially were fairly positive with more-than-half of the respondents believing they have needed knowledge, skills and experience. The respondents (61%) also did not see fear of failure as an inhibiting factor to starting a new business. Despite this, entrepreneurial intentions were markedly low at less than half that of the average for countries in the Latin American and Caribbean (LAC) region. Respondents also did not express any particularly strong sentiment toward the existence of exploitable opportunities in their immediate communities.

Demographics

Age, gender, income and education level of entrepreneurs contribute to the level of inclusiveness. In Belize, it was found that early-stage entrepreneurship was highest among those aged 45 to 54 years old. This stood in contrast to the LAC results which showed that the most active persons in early-stage entrepreneurial activity are in the 25-35 age group. (The 25-35 age group is the second most active for Belize.) Anecdotally, the main factors that help to explain this outlier in Belize are the low private savings rate^{3,4}, rigidities in access to finance and the perceived comfort of public sector employment. To elaborate, the older cohort in the population accumulates personal finance (from retirement savings, pension, etc.) and capital (land) to a point where starting a business does not seem as risky. (Keep in mind that a surprising majority of the surveyed adults felt that fear of failure was not a deterrent which implicitly and explicitly suggests an inclination toward risk.) In addition to this, there is the apparent bias toward public sector employment given the attractiveness of long-term job security, systematic and automatic salary increases and pension rewards. On the opposite end, young Belizeans do not have this income cushion (and security) and to access finance to overcome the hard and fast collateral requirements⁵ for loans and are, by default, excluded.

Of significance, in 2013, the International Finance Corporation (IFC) along with the Caribbean Regional Technical Assistance Center (CARTAC) identified areas of Belize's legislation that are deficient and that would require amendment to allow the proper operation of a credit bureau toward the establishment of a Secured Transaction Registry in Belize⁶. This would help facilitate access to credit by registering animal stocks, contracts, receivables, and other movable assets to

³ Grigoli, Francesco, Alexander Herman and Klaus Schmidt-Hebbel (2015), "Saving in Latin American and the Caribbean: Performance and Policies", *IMF Working Paper*, WP/15/108.

⁴ Hausmann, Ricardo and Bailey Klinger (2007), "Growth Diagnostic: Belize", Center for International Development, Harvard University. Prepared for the Inter-American Development Bank.

⁵ Metzgen, Ydahlia, (2012) "Private Sector Assessment of Belize Report", Inter-American Development Bank.

⁶ Central Bank of Belize: "Credit Bureau". <https://www.centralbank.org.bz/financial-system/financial-infrastructure/credit-bureau>.

serve as collateral. IFC reports that movable collateral enhances private sector development by increasing the level of credit – borrowers have diverse means to secure loans – and by decreasing the cost of credit – collateral secured loans tend to come with longer repayment periods, higher principal allowances, and lower interest rates. If the Government of Belize moves on this we would expect to see some progress with regards to financial constraints to entrepreneurship.

Gender

The 2014 results show that, globally, total early-stage entrepreneurial activity (TEA⁷) is mostly performed by men; and women tend to start a business more often out of necessity than men. This global pattern does not hold true in Belize where results show fairly balanced TEA rates across genders and motivations for entrepreneurial activity, with both males and females being driven, overwhelmingly, by opportunity rather than necessity.

Education

In terms of education, Belizean entrepreneurs entering the market mostly had some tertiary level education, but also, a reasonably strong proportion had primary or no formal education and also a solid proportion only had up to secondary level education. Globally, GEM recorded a strong correlation between perceived capability (skills) and TEA and noted that all forms of education (formal, informal, non-formal) are important in developing entrepreneurial competences. The particular case of Belize would support this proposition. However, experts believed that schools do not do enough to cultivate professionals who can think beyond getting a comfortable job to starting and running their own enterprise using their unique talents and skills.

In terms of income-levels, the results showed that the majority of respondents earned less than \$24,000 in 2013 and the majority of persons engaged in nascent businesses fell within that same income bracket. This is a direct indication of the scale and size of entrepreneurial activity in Belize.

Motivation

Belize is classified as an efficiency-driven economy according the GEM methodology. Based on the categorization, Belize is expected to see lower levels of entrepreneurial intentions than an economy categorized as factor-driven (e.g. African Economies); but not as low as is expected in innovation-driven economies. This kind of pattern confirms the proposition that starting a business is dominant where other income generating options are limited. Interestingly enough, this does not suggest that entrepreneurial activity is necessity-driven. In fact, the results show that entrepreneurship in Belize is primarily opportunity-driven. Nonetheless, the reason for Belize's lower-than-expected level of entrepreneurial intention may relate not only to perception of opportunities, but also to the quality of entrepreneurship framework conditions which fosters or deters entrepreneurship activity.

5.2 Social Values towards Entrepreneurship

Social values are group conceptions of what is important and universally desirable. Social values form part of the context in which one will or will not see entrepreneurial tendencies. Widespread

⁷ TEA: Individuals in the process of starting a venture and those running a new business less than 3 ½ years old.

belief that starting a business venture is a viable and desirable career choice is an indication of a society with strong entrepreneurial tendencies. Only a marginal majority of Belizeans see entrepreneurship as a good career choice and think that a high-level of social status is accorded to business owners and entrepreneurs. Also, the media falls well short in the reporting and portraying of entrepreneurship in Belize. Regionally, Belize lags behind other countries in the LAC in terms of valuing entrepreneurship. Globally, it is mostly African and North American economies which show the highest values for entrepreneurship.

5.3 Entrepreneurial Activity

Lifecycle

Entrepreneurial activity is analyzed along the organizational life-cycle of a business starting with inception of the venture (nascent) to the fairly new and then well-established businesses through to business discontinuation. The analysis considers activities from both owner-managed ventures and entrepreneurial undertakings of employees of established businesses. The rate of established businesses in Belize was very low at 4%, which was half that of the average rate in LAC. The business discontinuation rate was one percentage point higher than that of the rate of established businesses and consistent with what was found globally for efficiency-driven economies (averaging around 4.5% discontinuation rate).

Sector of Activity

The Total Economic Activity (TEA) score for Belize was 7%, ranking 6th lowest in terms of TEA of the 31 GEM countries globally classified as being in the efficiency-driven phase of economic development.

Given the difference between the rate of established businesses compared to the rate of total early entrepreneurship activity, it may be inferred that the entrepreneurship ecosystem is not efficient in converting new entrants to established businesses and such an inference is supported by the experts who felt, overwhelmingly, that the education, R&D transfer, access to finance and the regulatory framework is not highly conducive to entrepreneurship. Global trends demonstrate that the difference between TEA rates and established business rates thin-out along the development spectrum, with factor-driven economies showing the highest difference and innovation-driven economies showing the least difference, i.e. most balanced rates indicating greatest efficiency.

5.4 Entrepreneurship Ecosystem: Social, Cultural, Political and Economic Context

The Entrepreneurial Framework Conditions (EFCs) in the GEM methodology comprehensively captures the conditions that enhance (or hinder as the case may be) new business creation. The extent and quality of these conditions directly influence the existence of entrepreneurial opportunities, capacity and preferences which, in turn, determines other metrics such as the TEA rate, established business rate and business discontinuation rate.

The best evaluated EFC was physical infrastructure where the vast majority of experts believed that new and growing firms were supported by good and timely access to communications and basic utilities (electricity, water and communications), and that such basic utilities, sans telecommunications, were affordable. The other conditions were poorly evaluated, with experts being moderately-to-absolutely convinced that the enabling environment, specifically the commercial and professional infrastructure, access to finance, and government policies fell short of what is necessary to stimulate and maintain a healthy entrepreneurial landscape and vibrant business sector. Experts similarly felt strongly that more can be done in primary and secondary education to encourage a national culture of creativity, self-sufficiency, and personal initiative. Globally, the best evaluated component was likewise physical infrastructure, and additionally, commercial infrastructure. Scores were lowest for the quality of primary and secondary education, and government policies toward regulation and access to finance. The pattern, from a perspective of economic development levels, was for higher scores to EFCs in more developed economies, confirming that time, resources and political commitment is needed to build a strong enabling environment that would see the kind of vibrant business sector necessary for economic progression.

6.0 RESULTS FROM THE ADULT POPULATION SURVEY

The following presents a comprehensive analysis of the responses given in the Adult Population Survey. The survey asked numerous questions aimed at retrieving and discerning information about: (1) Belizean attitudes and perceptions around entrepreneurship; (2) the level of entrepreneurial activity in the country; (3) availability of informal funding (respondents funding new businesses started by someone else, outside of the official banking system, equity and stocks); and (4) the demographics of the respondents. Ideally, this information should be compared from year-to-year to see how interest and commitment to enhancing the entrepreneurial spirit varies, but, as this is the first report, the analysis is limited in this regard. Regional comparisons are made to contextualize the results. In some instances, GEM National Statistics, used for regional comparisons, will differ from individual country level results for the same metric due to standardization adjustments⁸.

6.1 Entrepreneurial Attitudes and Perceptions in Belize

Belizeans do not fear taking risks and generally hold positive views about entrepreneurship despite challenges. However, this is not an uncommon occurrence, even in less developed economies.

Generally, the attitude of persons in Belize towards entrepreneurship is positive. Looking at the individual country level data, a notable majority of respondents (61%) indicated that fear of failure would not dissuade them from undertaking new business ventures and a comparable

⁸ GEM average for metrics are weighted so as to include only 18 to 64 year olds in the population and excludes all high leverage weight values.

majority (67%) believe that they have the knowledge, skills and experience required to start a new business. However, only 48% of all respondents believed that they had both the necessary entrepreneurial talent and had the risk appetite for starting and running a business enterprise. Placed into context, these attitudes towards entrepreneurship prevail in an environment wherein a marginal majority of respondents (51%) actually know someone who has taken the risk and started a business in the past two years and wherein less-than-half of the respondents foresaw any realistic opportunities for entrepreneurship in their neighborhoods.

Figure 6.1a: Would Fear of Failure Prevent you from starting a business?

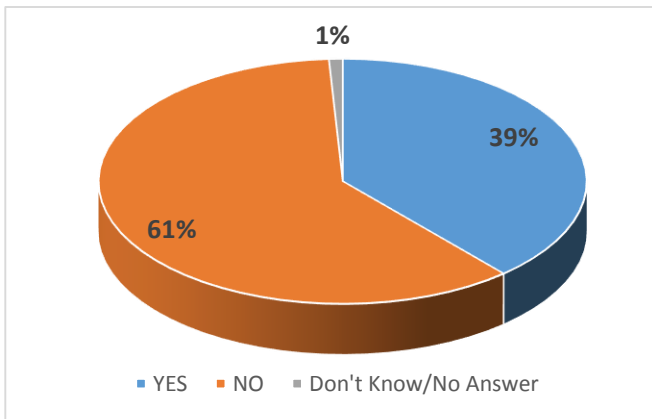


Figure 6.1b: Do you have the knowledge, skill, experience required to start a new business?

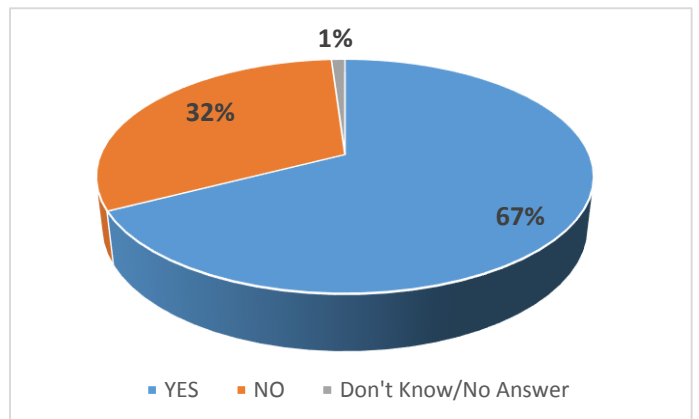


Figure 6.1c: Do you know someone personally who started a business in the past 2 years?

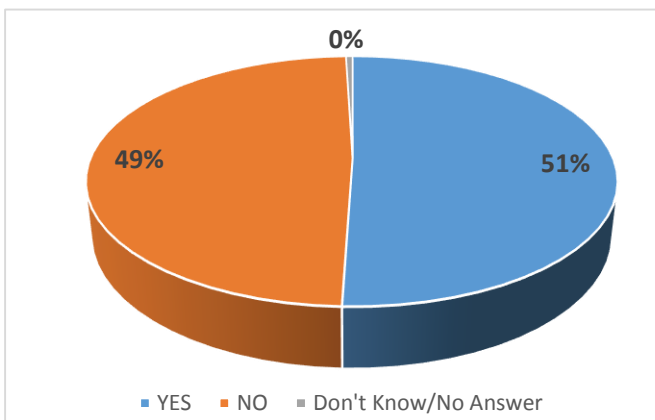
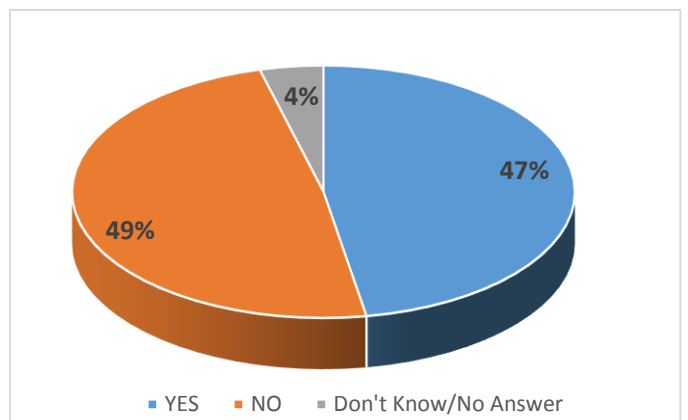


Figure 6.1d: In the next 6 months, will there be good opportunities for starting a business in the area where you live?



When asked if people would prefer if everyone had a similar standard of living, 51% of persons surveyed curiously responded in the negative. A stronger negative response would suggest preference toward a merit-based, capitalist economy that promotes financial or income-related rewards to persons who take risks and enhance domestic productivity over a socialism-type state

of economic affairs. The former is believed to be the kind of enabling environment in which entrepreneurship thrives. Complementing this, 57% of respondents believed that starting a new business was a desirable career choice in Belize and 55% believed that successful entrepreneurs are accorded a high level of status and respect in the country. These marginally positive conceptions prevail in an environment of low or poor promotion of entrepreneurship, with a majority (56%) of respondents admitting they do not often see stories in the public media about successful new businesses.

6.2 Regional Comparison

Using the GEM National Statistics, opportunities for new business development is on par with, and, in cases, even outstrips, that of the more advanced economies in the Latin America and Caribbean region (LAC). On average, 49% of respondents in LAC foresaw solid opportunities in the next six months in the area where they lived, and 65% believed they had the requisite capabilities to be an entrepreneur. In regards to the former metric, Belizeans were on par (Figure 6.2a), and with regards to the latter, Belizeans exceeded the average (Figure 6.2b). Correspondingly, 33% of respondents in Belize admitted that fear of failure would deter them from starting a business, which compares well with the Regional average of 28%.

Figure 6.2a: LAC-Perceived Opportunities

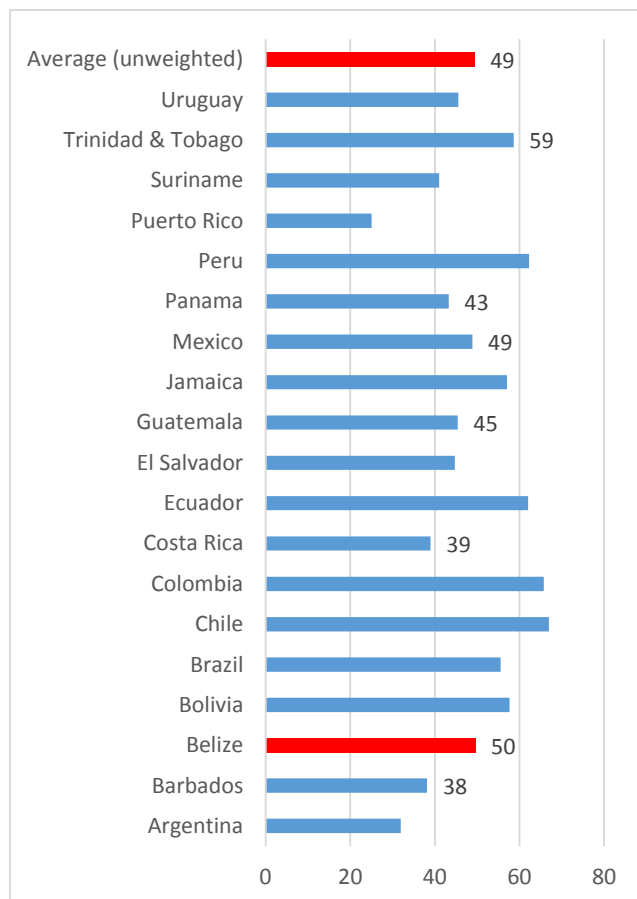
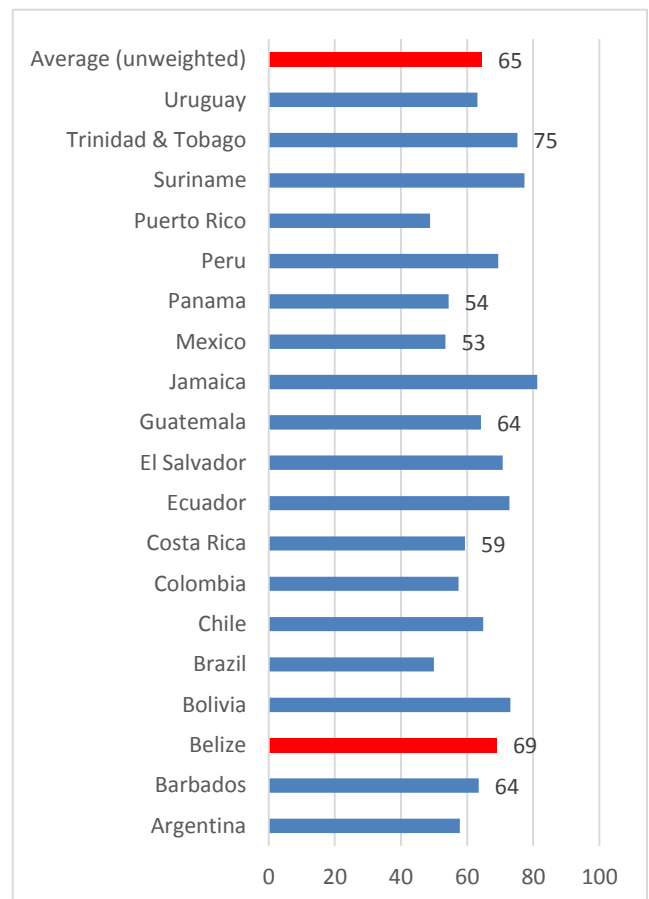


Figure 6.2b: LAC-Perceived Capabilities



According to results from the Global Report, it was not uncommon to see high levels of entrepreneurial confidence and a healthy risk-appetite even in less-advanced economies. In fact, individuals in the African economies tended towards the highest scores in that regard. It appears that personal attitudes towards entrepreneurship are often decoupled from the state of economic development in any given country.

There were comparatively higher levels of entrepreneurial intentions in African economies than found in more-advanced economies of Europe and North America. This seems to correspond with the levels of perception of exploitable business opportunities since entrepreneurial intentions are higher in economies where a higher percentage of respondents perceived business opportunities.

Figure 6.2c: LAC-
Entrepreneurial
Intentions

Figure 6.2d: LAC-
Entrepreneurship as a
Career

Figure 6.2e: LAC-Media
Attention for
Entrepreneurs

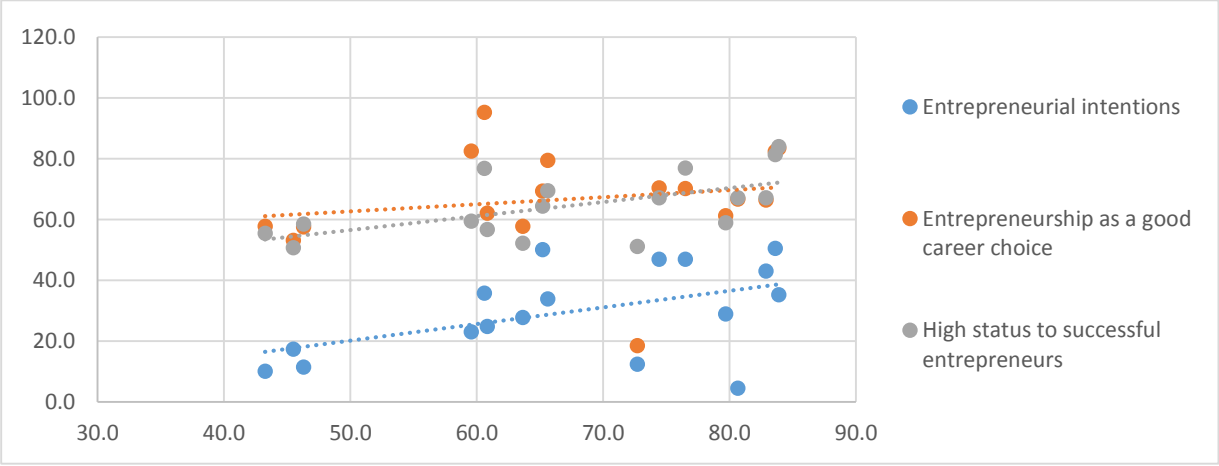
Figure 6.2f: LAC-High
Status Accorded to
Entrepreneurs



In terms of the general or collective sentiment towards entrepreneurial undertakings (as a career choice) in LAC, on average, a meaningful majority (67%) are supportive. 65% of respondents in LAC, compared to 55% in Belize would accord a high level of status and respect to new business owners, and 67% of respondents across LAC both affirmed exposure to success stories via the media and recorded their belief that entrepreneurship was a good career option. Despite this, not many persons in the region recorded having strong entrepreneurial intentions. The results for Belize mimicked the regional patterns for the most part, with generally positive and supportive attitudes towards entrepreneurship, but much weaker results when it came to knowing persons engaged in, or themselves being disposed to undertaking entrepreneurial activity.

From a different angle, plotting media coverage against each of these variables for countries in LAC confirms the expected relationship that media coverage of successful entrepreneurship should have a positive impact on status accorded to entrepreneurs, prospecting of business development as a career choice as well as entrepreneurial intention (Figure 6.2g).

Figure 6.2g: Media and Attitudes towards Entrepreneurship



6.3 Extent of Entrepreneurial Activity in Belize

Entrepreneurial activity in Belize is relatively low and lags well behind the regional average for the LAC region and other comparator economies like Guatemala, Mexico, Jamaica and Barbados.

The World Bank conducts an annual “Doing Business” Report which gives a feel for the relative ease of or difficulty for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. The Report measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

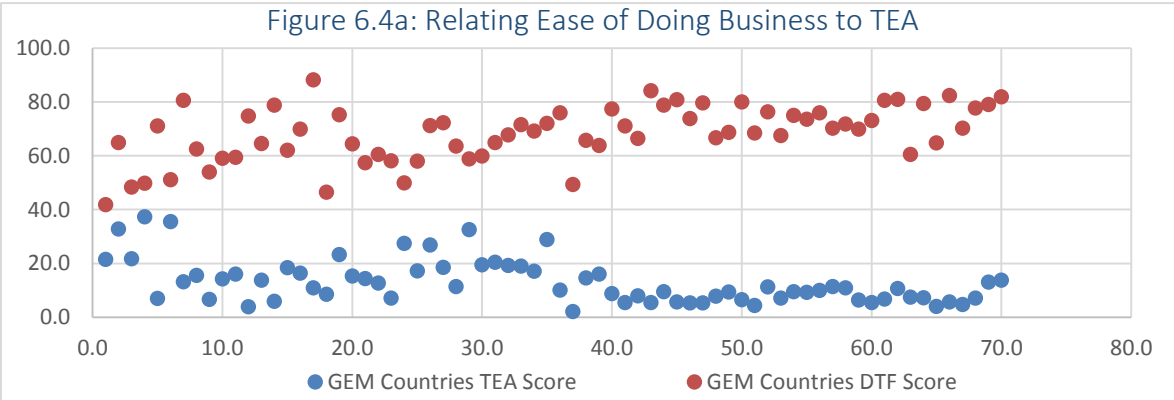
One comprehensive metric in the report is the Distance to Frontier (DTF) measure. The DTF benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy’s distance to frontier score is

indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier (World Bank, 2015). In 2014, Belize ranked 118th of 189 countries with a DTF score of 57.96, indicating that there is much more to be done before there is a strong enabling environment for entrepreneurship. It is with this backdrop that we analyze the results from the GEM Adult Population Survey as it relates to entrepreneurial activity in Belize.

The GEM Adult Population Survey asked several questions aimed at assessing the proportion of respondents in each participating country that was involved in the early stages of entrepreneurship, the so called “nascent businesses” and “baby businesses”. The *nascent entrepreneurship rate*, defined as the percentage of all respondents aged 18 to 64 involved in new firm start-ups as active, expecting to be full or part owners, and non-salaried/without wages for over three months, was 4% in Belize. The *new (baby) business ownership rate*, defined as the percentage of all respondents aged 18 to 64 involved as owner and manager in new firms for which salaries or wages have been paid between 3 and 42 months, was 3%. The combination of these two scores gives Belize a *total early entrepreneurship activity (TEA)* score of 7%. The score is relatively low, the easy inference being that early entrepreneurship activity cannot be expected to be high when the environment for “doing business” is not very conducive. It is important to note, however, the inherent inequity in comparing small, lesser developed economies with their more advanced counterparts as done in the *Doing Business Report*. Nonetheless, the expert opinion coming out of the report seems to corroborate the proposition that the enabling environment for business leaves much to be desired.

6.4 Regional and Global Comparison

A correlation analysis of the TEA score for all GEM participating countries and the World Bank’s *Doing Business* DTF score reveals a very weak negative correlation between the two. As the ease of setting up a new, small to medium-size enterprise increases across all countries, we see a correspondingly weak decline in the levels of early entrepreneurship. Of course, accepting that correlation is not causation, we may infer that factors other than the relative ease of starting a business in the current regulatory environment in GEM countries, including Belize, have a larger influence on the levels of early entrepreneurial activity. Point in case, countries like Russia, Norway, Germany and France have DTF scores greater than 70 but TEA scores less than that of Belize.



This is not to say that having the a strong enabling environment is not an important factor in stimulating entrepreneurial activity, but only that having the enabling environment in and of itself is not enough. Cultural factors and attitudes towards business ownership, the availability and ease of finding employment with established businesses may also impact how willing a population is to engage in entrepreneurship.

When we turn to compare Belize’s scores for nascent and new business ownership and TEA, we notice that Belize is significantly below the regional average in each instance. Belize also lags behind comparator economies such as Guatemala, Mexico, Jamaica, and Barbados in TEA scores.

Figure 6.4b: LAC-Nascent Entrepreneurship Rate

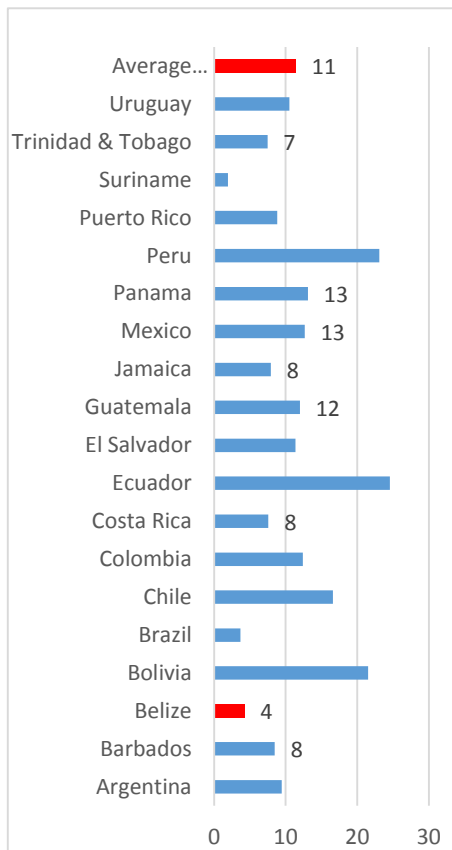


Figure 6.4c: LAC-New Business Ownership Rate

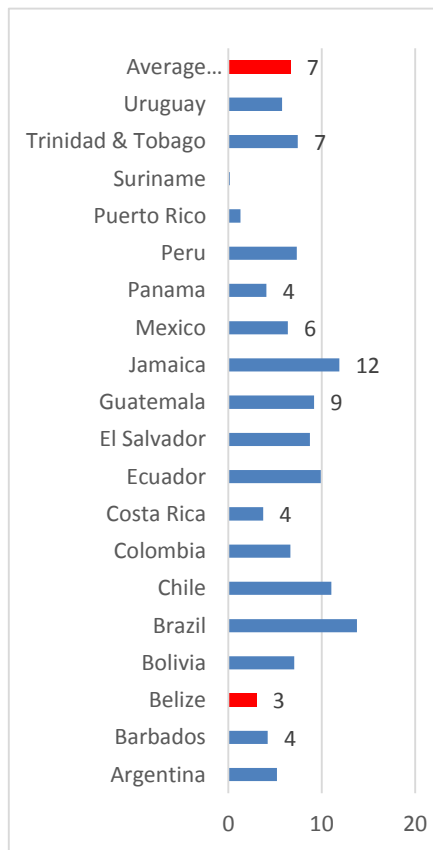
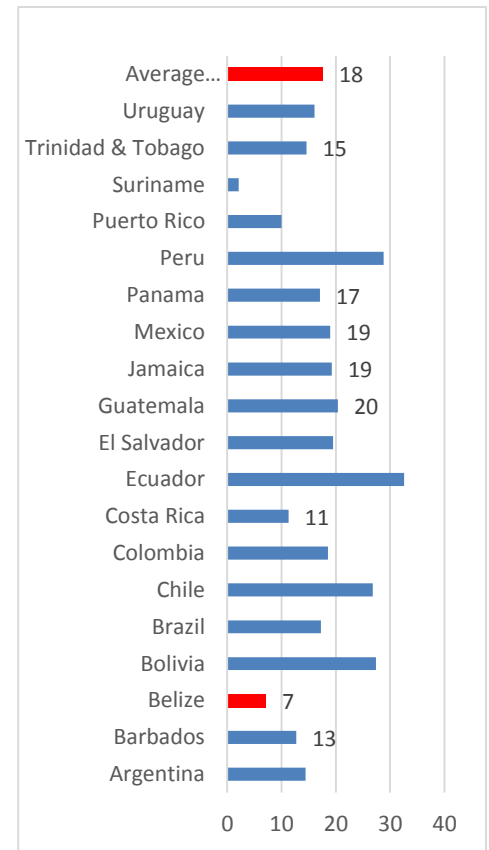


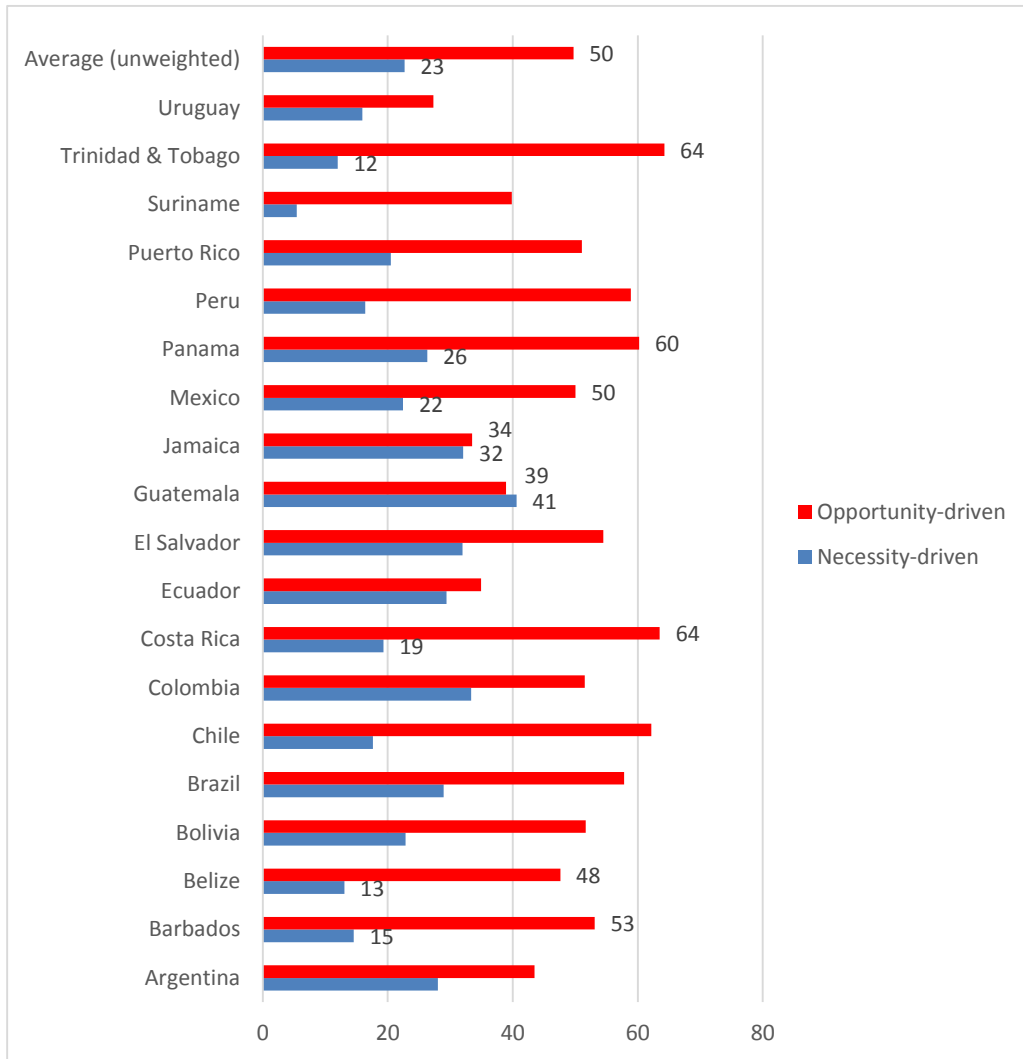
Figure 6.4d: LAC-Early Stage Entrepreneurial Activity



Digging deeper, GEM draws a line distinguishing between persons who are pressured into entrepreneurial situations because of a lack of job opportunities and those persons who start businesses to exploit perceived market gaps. It is the distinction between necessity-driven entrepreneurship and opportunity-driven entrepreneurship. In Belize, 13% of the entrepreneurship was necessity-driven compared to 48% which was opportunity-driven. This tracks moderately closely to the regional average and to the distribution in comparator countries,

signaling a stronger influence of personal initiative over poor employment prospects as pushing people to start businesses.

Figure 6.4e: Motivation for Early Entrepreneurs



6.5 The Profile of the Entrepreneur

Entrepreneurs in Belize are overwhelmingly older (middle-aged, retired), better-resourced, and more-educated men and women. Female and male entrepreneurial activity is more or less on par.

This section of the report canvasses the main demographic features of those persons engaged in early entrepreneurship activities (TEA). The TEA rate, as previously mentioned, measures the proportion of respondents (aged 18 to 64) engaged in non-established firms or businesses. In this section, the TEA is examined according to age, gender, level of education, personal financing, and locality. Global and regional comparisons are also made.

6.6 Age and Entrepreneurship

TEA rates in Belize for 2014 were highest for persons aged 25 to 35 years old and 45 to 54 years old (Figure 6.6a). Compared to the region, TEA peaked in the 25 to 35 age bracket (Figure 6.6b) and generally trended downward for the subsequent years. In contrast, Belize TEA peaked during the later years of 45 to 54 years. Possible inferences suggests constraints due to the low national savings rate that is typically alleviated at the point of retirement and also the appeal of public sector employment owing to job security, systematic salary adjustments and pension rewards.

Figure 6.6a: TEA Rates Differentiated by Age

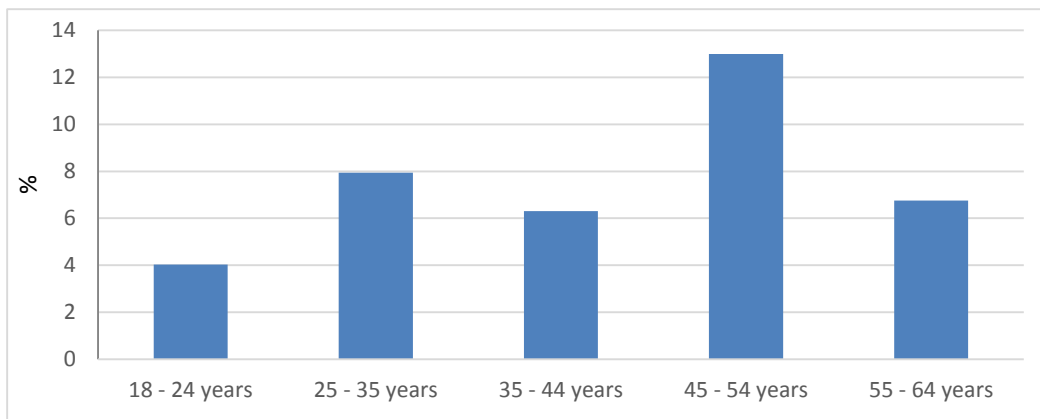
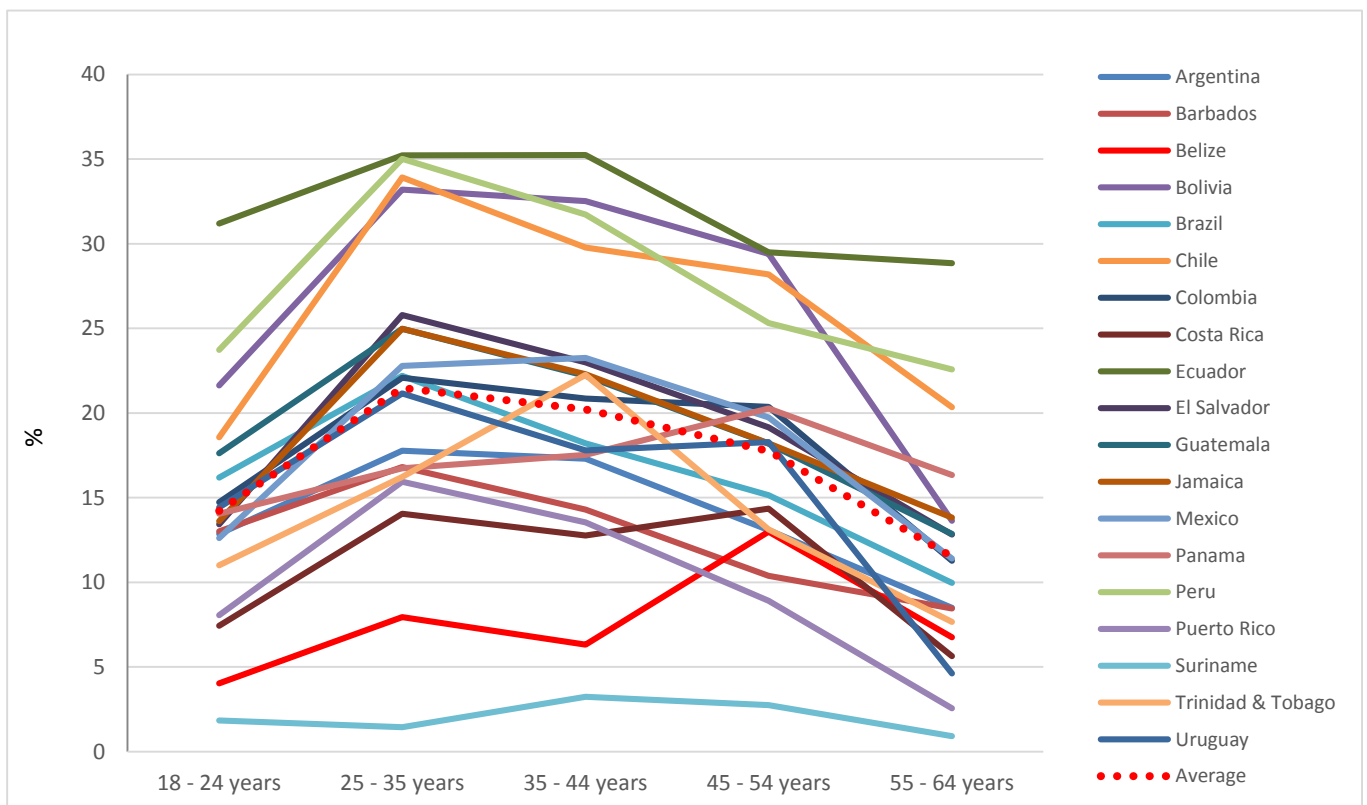


Figure 6.6b: LAC TEA Rate by Age



6.7 Gender and Entrepreneurship

Males exhibited only a very slightly higher TEA rate than females for the reporting year. The entrepreneurial activity was distinctly more opportunity-driven than necessity-driven for both males and females (Fig.6.7a). This pattern in Belize mimics the regional average, with males in the LAC Region only slightly outdoing females in their rate of engagement in early entrepreneurship activities. Regarding the motivations for starting businesses, we see in the LAC region, as we see in Belize, that both male and females are more driven by opportunity and necessity (Fig.6.7b).

Figure 6.7a: TEA Differentiated by Gender

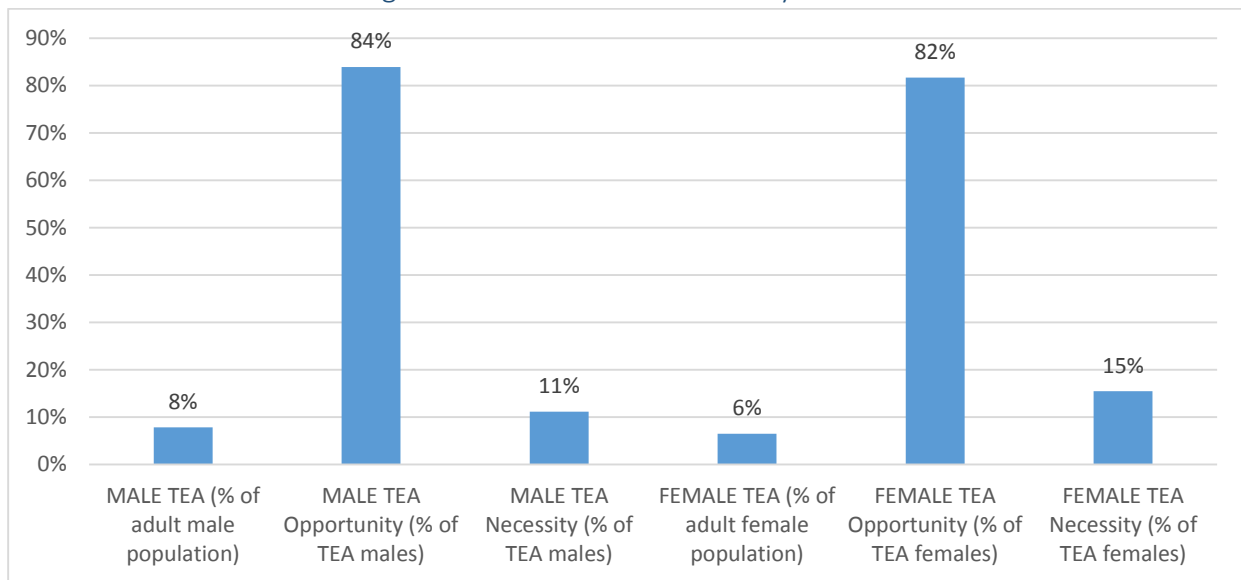
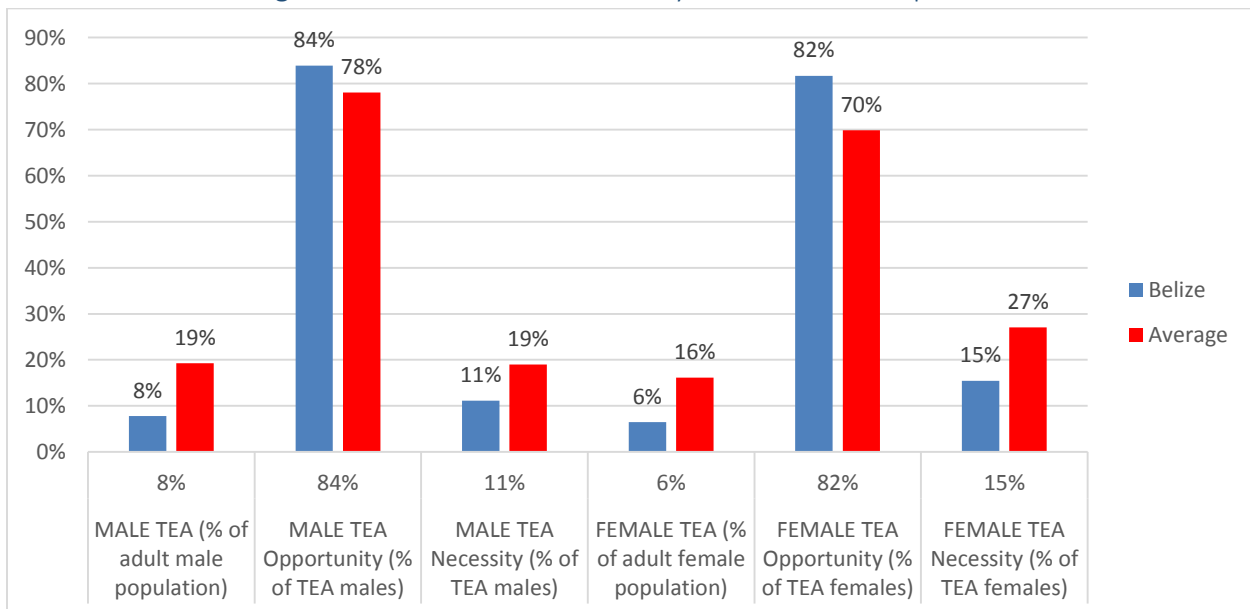


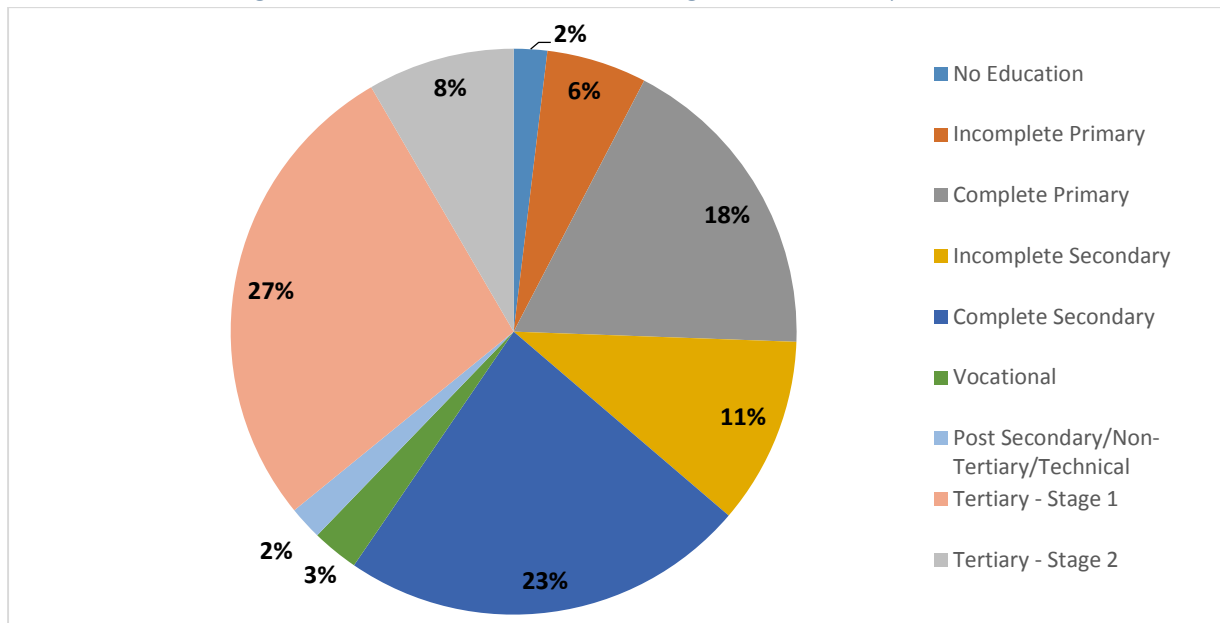
Figure 6.7b: TEA Differentiated by Gender LAC Comparison



6.8 Level of Education and Entrepreneurship

Considering exclusively respondents who indicated participation in nascent business ventures as a litmus test for the importance of education to entrepreneurship, Figure 6.8b below shows that 37% had some level of tertiary education. Also noteworthy is the proportion of respondents (26%) who only had primary or no formal education. Interestingly, in 2013, labor statistics showed that over 60% of the workforce had only primary education or lower ([Statistical Institute of Belize, 2013](#)). The ready inference being that much of the lower education population, lacking in skill and other entrepreneurial competencies, are left with little choice and are job takers.

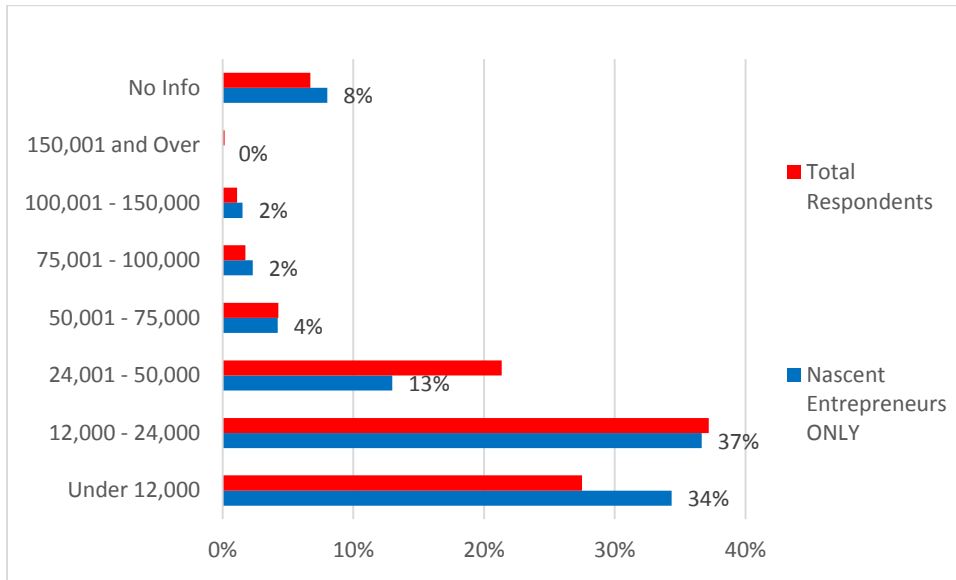
Figure 6.8a: Education Levels among Nascent Entrepreneurs



6.9 Financing and Entrepreneurship

Figure 6.9a contrasts the proportions of total respondents with those respondents who were early entrepreneurs according to their annual income. The graph shows us that 64% of all respondents earned less than \$24,000 in 2013 whereas approximately 70% of persons engaged in nascent businesses fell within that same income bracket. This is direct indication of the scale and size of entrepreneurial activity; but, for now, leaves open the discussion on whether financing and access to it, are major constraining factors to persons with entrepreneurial intentions.

Figure 6.9a: Nascent Entrepreneurs by Annual Income Brackets (Belize Dollars)



Informal investment was also low, both in terms of the number of investors and the investment amount. Only 6% of respondents indicated that they had, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds. Below, Figure 6.9b shows the total number of informal investors disaggregated by investment amount. Approximately 59% of informal investors gave between \$50 to \$1500 dollars, with the least amount reported as given across all investors being \$50 and the most being \$60,000. The vast majority of informal investments were made into close family or friend-owned business start-ups (Fig.6.9c).

Figure 6.9b: Number of Informal Investors by Investment Amount (Belize Dollars)

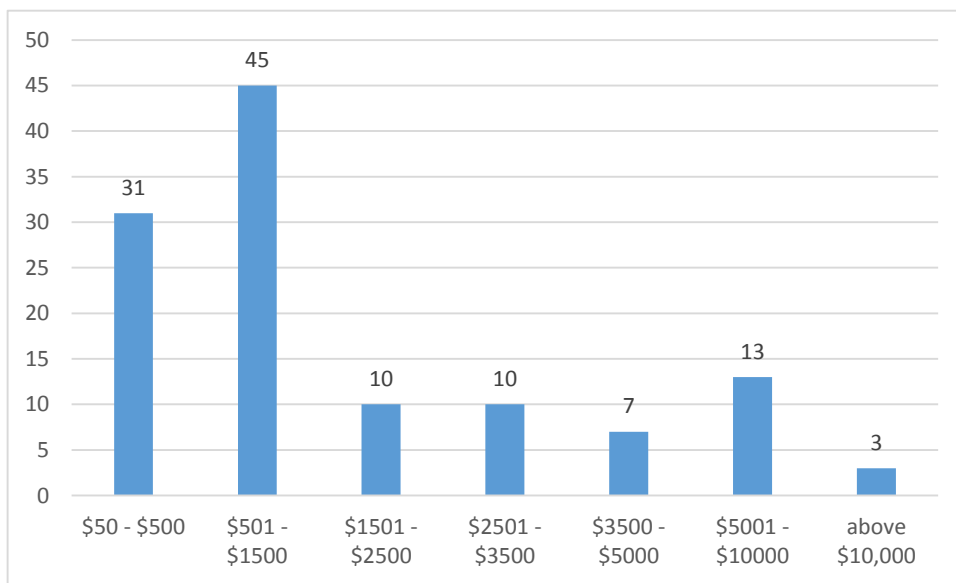
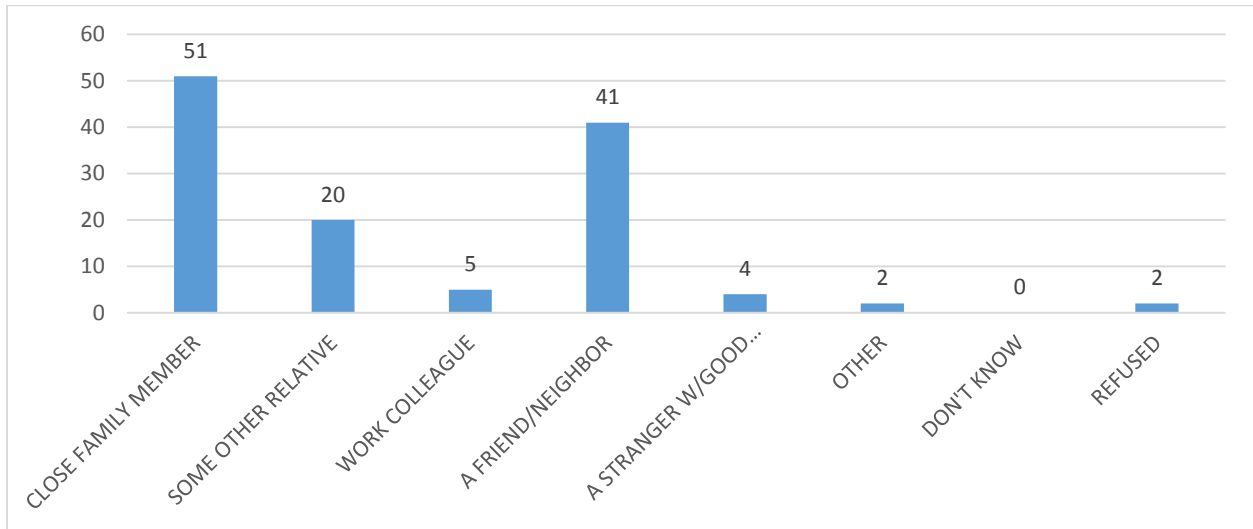


Figure 6.9c: Number of Informal Investors by Relationship to Entrepreneur



6.10 Regional Distribution of Entrepreneurship

Considering exclusively those respondents who were engaged in nascent entrepreneurship activity, we see that early entrepreneurship is concentrated outside of the main economic center of the Country - 37% in Cayo compared to 19% in Belize City, the Country's major commercial center. Given that much of entrepreneurship is opportunity-driven, the concentration of early entrepreneurship in Cayo stems from growing public and private sector investments in inland tourism and agro-processing and the opportunities created from those.

Figure 6.10a: National Distribution of Nascent Entrepreneurs

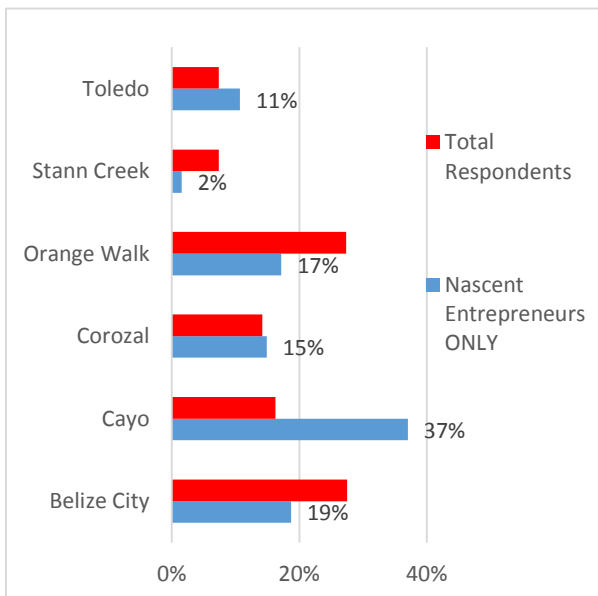


Table 6.10a: National Distribution of Nascent Entrepreneurs and Respondents

Distribution of Nascent Entrepreneurs in Belize				
Regions	Nascent Entrepreneurs	Total Respondents		
Belize City	49	19%	573	27%
Cayo	97	37%	339	16%
Corozal	39	15%	296	14%
Orange Walk	45	17%	570	27%
Stann Creek	4	2%	153	7%
Toledo	28	11%	153	7%
Total	262	100%	2084	100%

7.0 RESULTS OF THE NATIONAL EXPERT SURVEY

The NES complements the APS by providing a comprehensive overview of the regulatory and market context of a country in relation to entrepreneurship. The survey relies on the learned opinion of experts with in excess of a decade of experience across what GEM refers to as the EFCs. The Framework is composed of nine conditions, believed to shape the entrepreneurial activity in a country. These are as follows:

1. Financial;
2. Government Policy;
3. Government Entrepreneurship Programs;
4. Education and Training;
5. Research and Development Transfer;
6. Commercial and Professional Infrastructure;
7. Market Openness;
8. Physical Infrastructure; and
9. Cultural and Social norms.

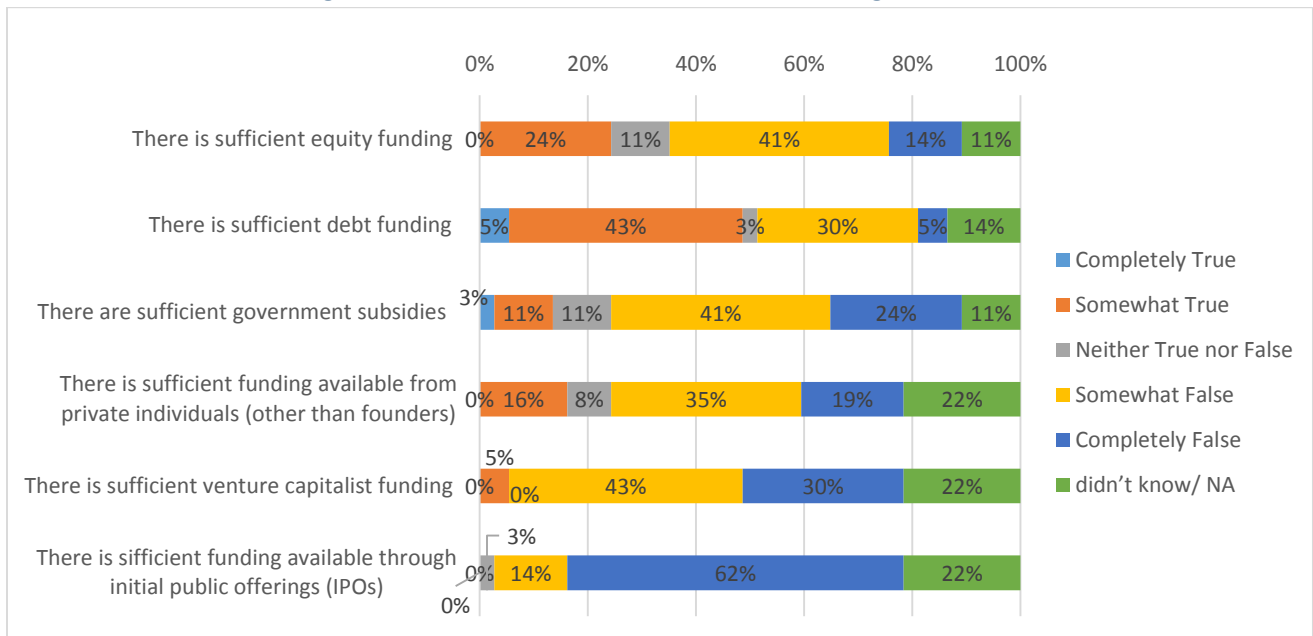
In the following analysis, survey responses of “completely true” and “completely false” are interpreted as a belief with absolute certainty, whereas “somewhat true” and “somewhat false” responses are interpreted as a belief with moderate certainty. Respondents who answered with “neither true nor false” are taken to be unsure/uncertain of the state of affairs in Belize as it relates to the topic.

7.1 Finance for New and Growing Firms

Access to finance, particularly the traditional financing options like equity and debt-funding, is limited.

Experts were asked to consider six sources of funding for new and growing start-ups in terms of the sufficiency for those sources. Experts in general believed that funding for entrepreneurship fell short of their expectations, with more than 50%, on average, responding that they were absolutely-or-moderately certain that enough resources were not available: equity (55%); debt (35%), subsidies (65%); private investors (54%); venture capitalist (73%); and IPOs (76%). Equity and debt financing were the only two sources of funding which more than 20% of experts believed with moderate or absolute certainty that were sufficient sources. It is important to note that the question posed to experts related to sufficiency of resources and it may well be that equity and debt resources are sufficient, but channels to those resources inclusive of asymmetric information constrain entrepreneurial development.

Figure 7.1: NES-Finance for New and Growing Firms

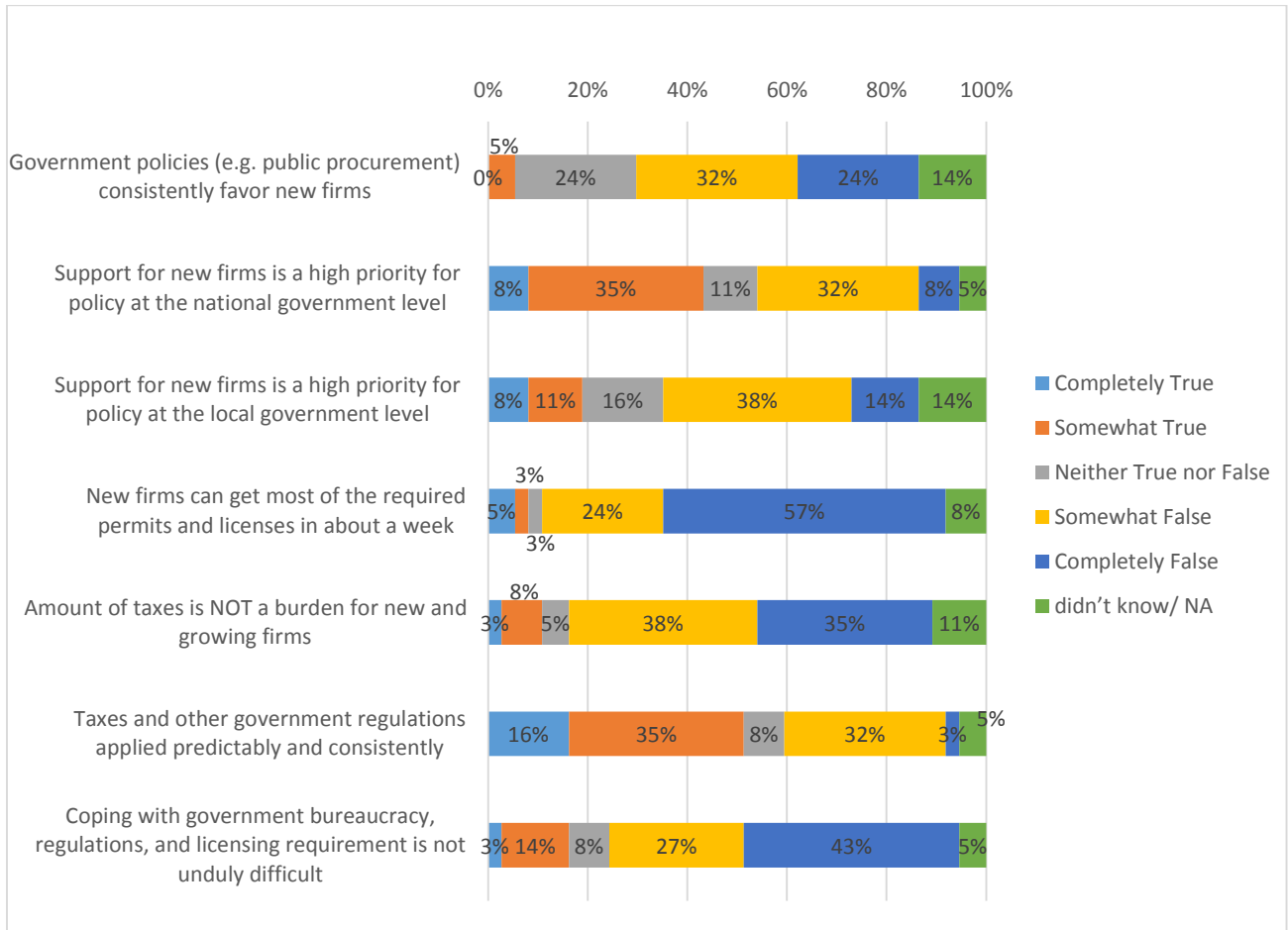


7.2 Policy Focus for New and Growing Firms

Policy support is not nearly as strong as it should be in a developing economy like Belize which requires the enabling support.

Summarily, the general perception from the experts is that policy support for new and growing firms is low, with 56% of experts expressing moderate to absolute certainty that government policies do not consistently favor entrepreneurship compared to only 5% expressing the contrary with moderate certainty. Specifically, the efficiency with which important documents are processed does not favor entrepreneurship, with 81% of experts expressing moderate to absolute certainty that new/growing firms could not get most of their required permits and licenses within a week. Furthermore, 73% of NES respondents were convinced that the amount of taxes levied against new and growing firms is prohibitive to the establishment and growth of businesses and nearly as many (70%) believed with absolute and moderate certainty that coping with government regulatory processes is unduly difficult. With regards to government prioritizing entrepreneurship in their policy initiatives, responses, on balance, went either way, with respondents either doubting sufficient priority at local and national level or being unsure as to the state of affairs. Such uncertainty can only be interpreted as a lack of prioritization or inadequate publication/promotion of policy initiatives for entrepreneurship – part of the asymmetric information problem.

Figure 7.2: NES-Policy Focus for New and Growing Firms

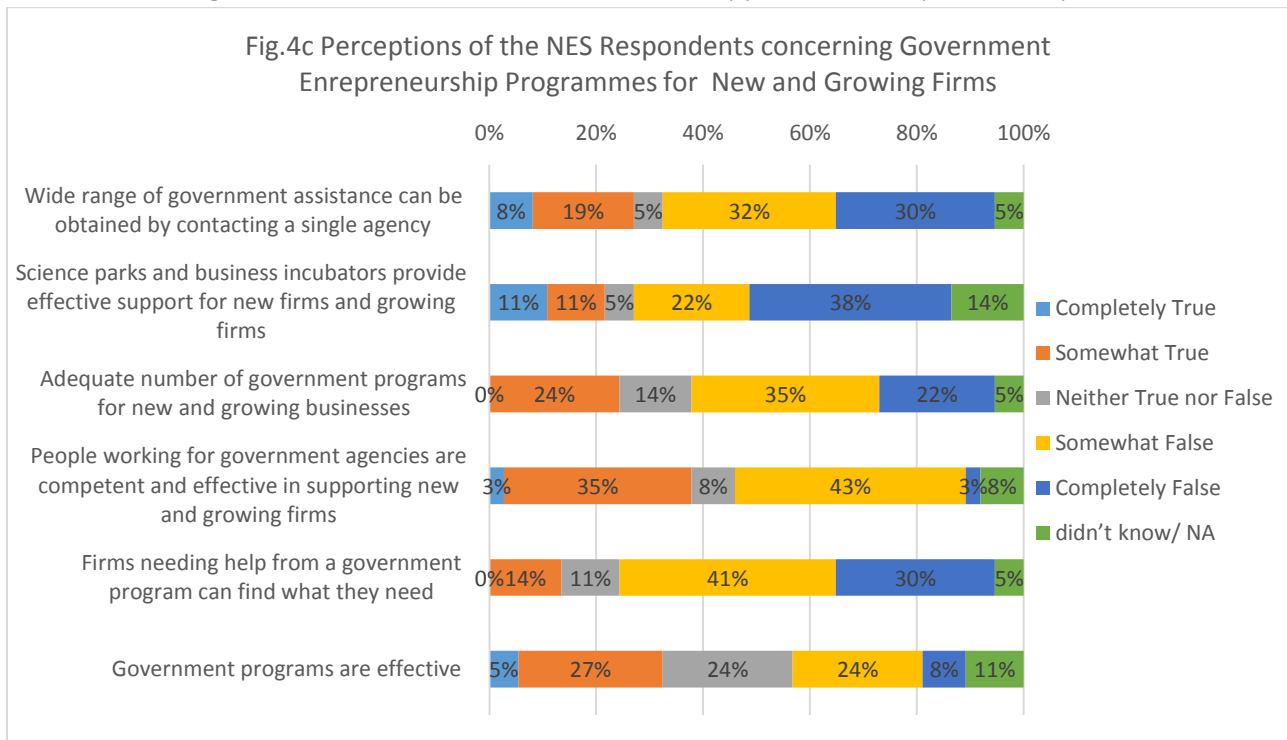


7.3 Dedicated Government Support for Entrepreneurship

Centralization of entrepreneurial support is perceived to be lacking in Belize and the competence of public officials working to support new firms is in doubt.

The responses in this section of the survey further underscores the perceived paucity of government support for entrepreneurship. In the first instance, experts were unconvinced that government assistance for new and growing firms is sufficiently centralized with 62% doubting that a wide range of government assistance can be obtained through a single agency. Experts also doubted the adequacy of the support for new firms, the competence of the public officials working to support new firms, and ease of access to support from government agencies with no more than 26%, on average, being moderately certain of the truth of statements relating to these points and approximately 53%, on average, being moderately to absolutely certain that the statements were false.

Figure 7.3: NES-Dedicated Government Support for Entrepreneurship

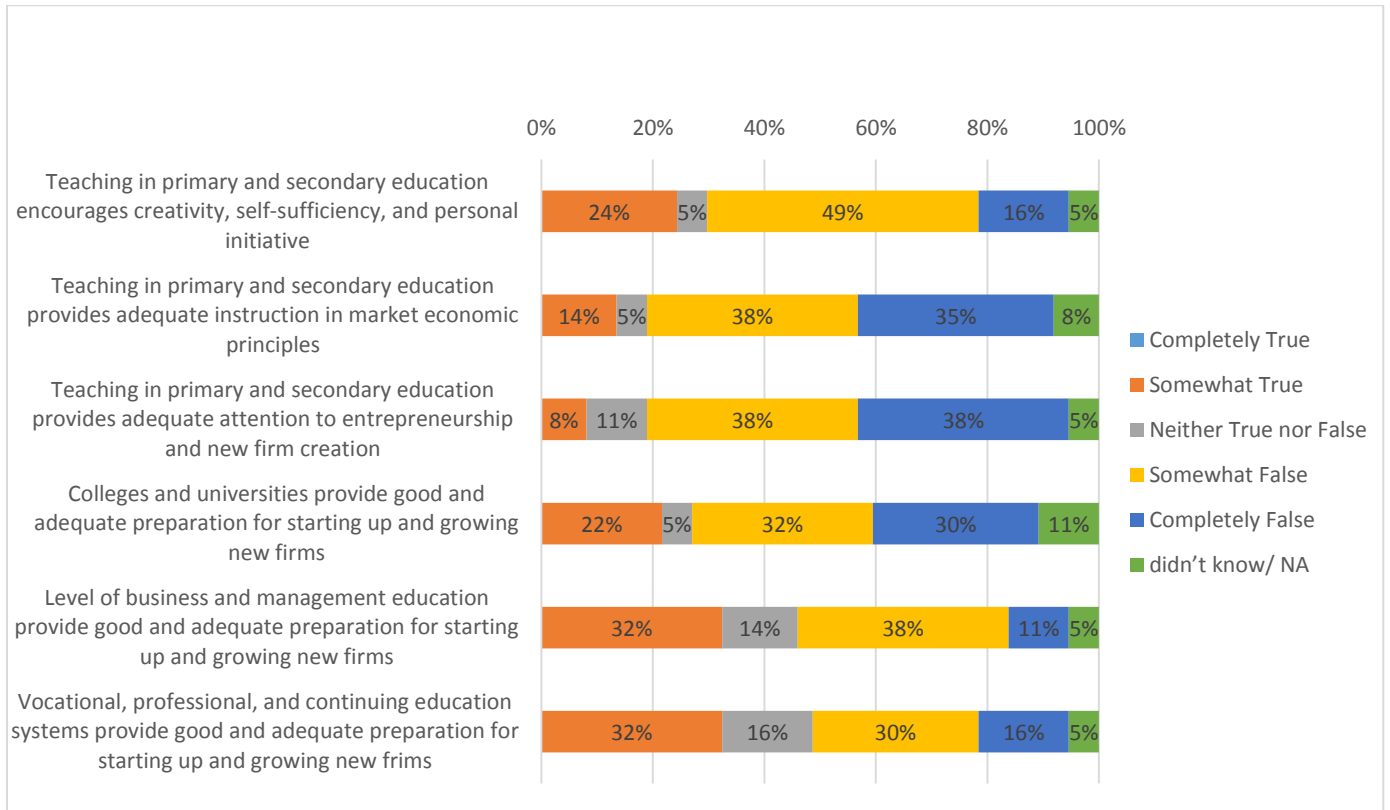


7.4 Education and Training for New and Growing Firms

Education and training can be augmented to help build entrepreneurial acumen among the core populace.

There is a sense that more can be done through the educational system to help foster a culture of entrepreneurship. When asked if the curriculum in primary and secondary education encourages creativity, self-sufficiency, and personal initiative, only 24% were moderately certain that this was the case while 65% of the respondents moderately to absolutely doubted this. Even more respondents (73%), with moderate to absolute certainty, did not think there is adequate instructions and guidance in market economic principles at the primary and secondary education level. This pattern is also seen at the college and university level, with 62% of respondents expressing moderate to complete certainty that there is not good and adequate preparation at the tertiary level for starting-up and growing new firms.

Figure 7.4: NES-Education and Training for New and Growing Firms

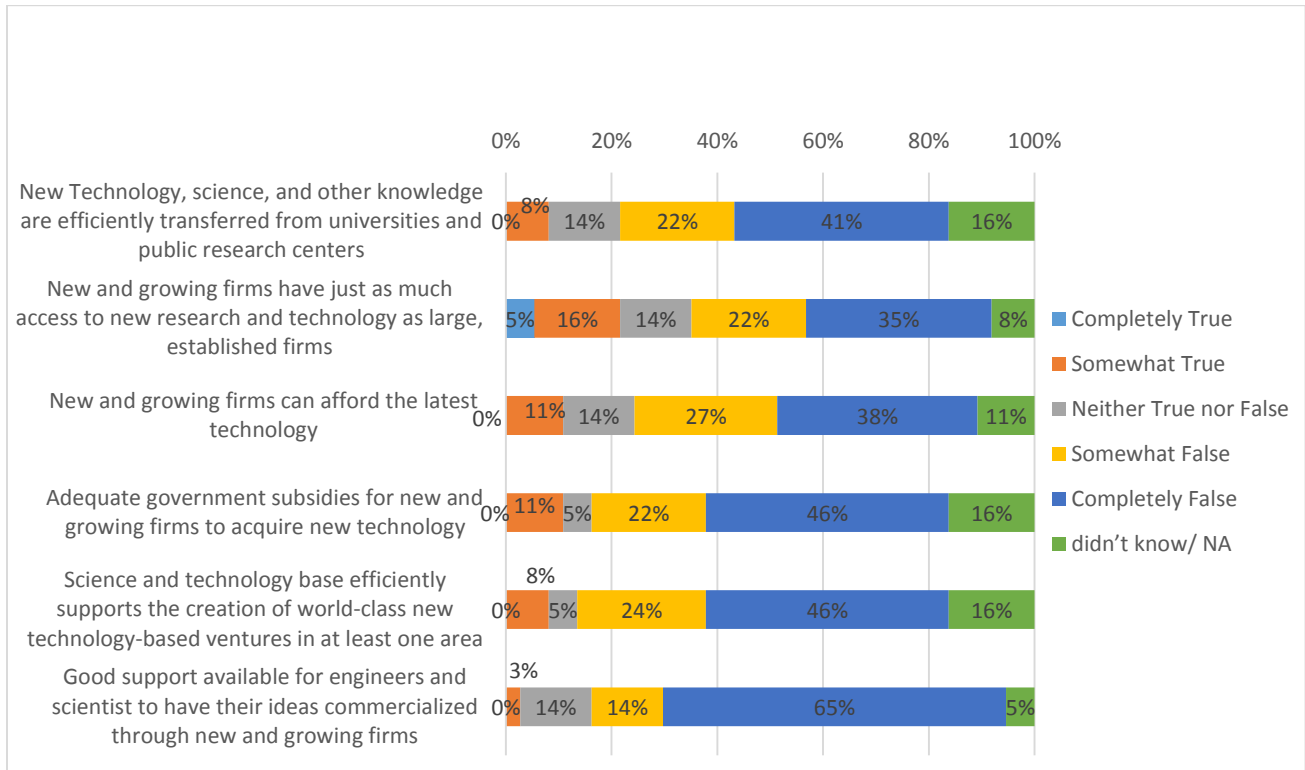


7.5 Research and Development Transfer in aid of Entrepreneurship

Access to research and technology to help advance commerce and private sector development is too limited and unequal between larger, better financed companies and small to medium enterprises.

Expert opinion regarding scientific and technological advancement in support of entrepreneurship is that there is not enough being done. When asked if they believe new technology, science, and other knowledge are efficiently transferred from universities and public research centers to the public and new/growing businesses, 63% doubted this to be the case. Only 21% of experts held any sort of belief that new and growing firms had equal access to new research and technology as their larger, more established counterparts – this is in stark contrast with the 57% who doubted equal access to new research and technology exists. Furthermore, 65% doubted that entrepreneurial enterprises could afford the latest technology and 68% doubted the adequacy of government subsidies to help with technology acquisition, a strong indication of the desire for public rather than private assistance. Conclusively, it seems that more can be done from the science and technology policy side to drive innovation and entrepreneurship since currently 70% of experts do not think the Country supports the creation of world-class new technology-based ventures in at least one area, and 79% believed with moderate to absolute certainty that engineers and scientists do not get the kind of support that would see them have their ideas commercialized.

Figure 7.5: NES-Research and Development Transfer

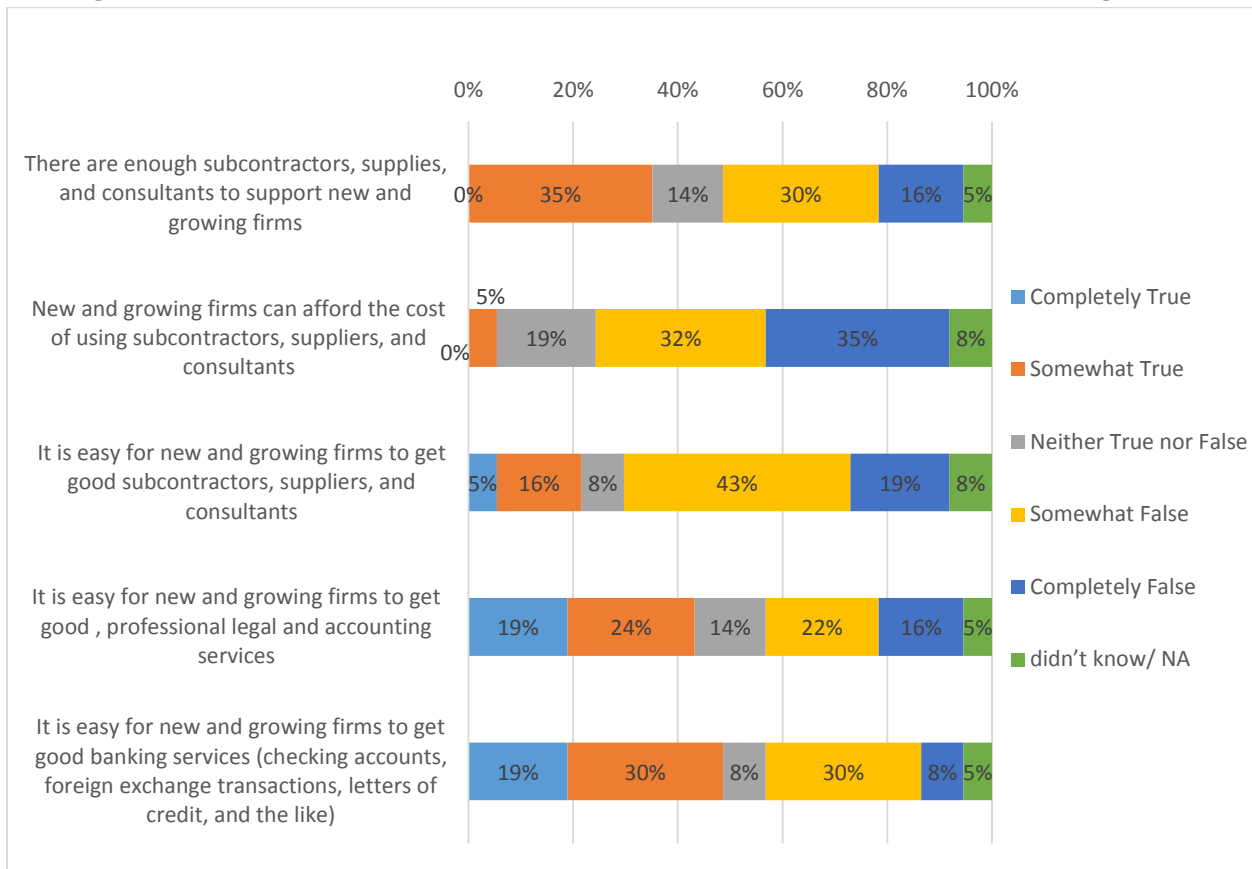


7.6 Commercial and Professional Infrastructure for New and Growing Firms

While experts are divided as to the availability of professionals in support of entrepreneurship activities, they hold the solid consensus that ancillary professional services are too expensive.

Expert opinion seems much divided on the availability and adequacy of commercial and professional infrastructure that can be relied on by entrepreneurs in Belize, with respondents, on average, not having a firm opinion either way regarding the relative truth of the statements. For instance, 35% of experts believe with moderate certainty that there are enough subcontractors, suppliers, and consultants to support new and growing firms, whereas 46% believe otherwise and approximately 14% are uncertain. 67% of the respondents are of the opinion that the cost of the aforementioned support services is not affordable and 62% doubt that new and growing firms can easily access those services. 43% of experts believed, with moderate to absolute certainty, that it is easy for entrepreneurs to get good professional legal and accounting services, which contrasted with 38% who doubted this and 14% who were uncertain as to the state of affairs in this regard. Similarly, 49% of experts, more or less, thought it was easy for new and growing firms to get good banking services contrasted with 38% who believed otherwise and 8% who were uncertain of the state of affairs in this regard.

Figure 7.6: NES-Commercial and Professional Infrastructure for New and Growing Firms



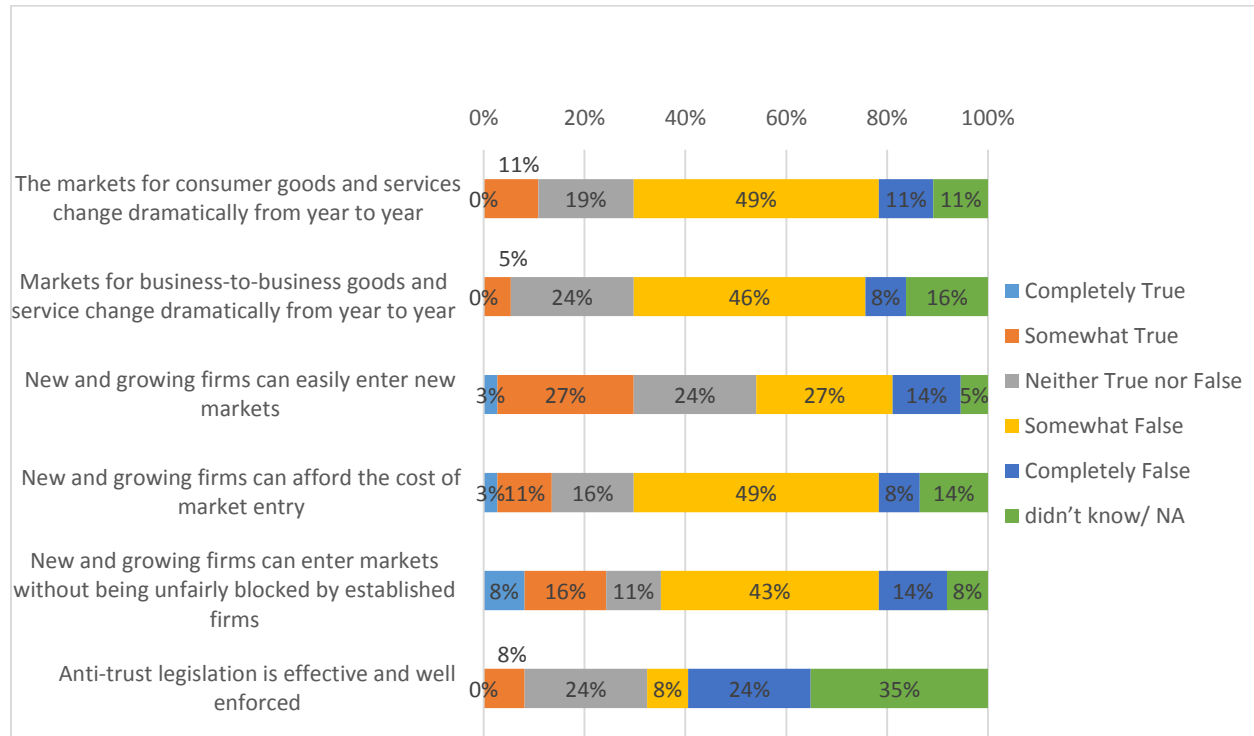
7.7 Market Openness and Entrepreneurship

While experts believed markets tend to be stable from year to year, few believed that market entry is as affordable as it could be and that established firms unfairly block new entrants.

On average, across all the statements related to market openness, 20% of respondents indicated that they were uncertain as to the state of affairs in Belize, choosing “neither True nor False” as their answer. This is an important introductory point to this segment as it is a section of the survey where experts displayed such marked uncertainty and signals that more comprehensive study/research needs to be done to understand how markets function and are regulated in Belize. Having noted this, indicators must be examined to decipher to state of affairs. 60% of experts expressed moderate to absolute certainty that markets for consumer goods and services were relatively stable from year-to-year and 54% held the same opinion of markets for business-to-business goods and services. Only 30% of experts believed that entrepreneurial firms can easily enter new markets, which contrasted with 41% who doubted this to be the case. Furthermore, only 14% believing that cost of market entry for new and growing firms is affordable contrasted with 57% believing otherwise. With 57% of experts believing that new and growing firms tend to be unfairly blocked by established firms from entering markets, it is safe to conclude that the general opinion, though not overwhelming so, is that markets are not readily accessible to

entrepreneurs. 35% of respondents failed to give their opinion regarding the effectiveness and enforcement of anti-trust legislation, most likely this is due to the fact that the terminology is American and not used in Belize and some misinterpretation may have attached.

Figure 7.7: NES-Market Openness

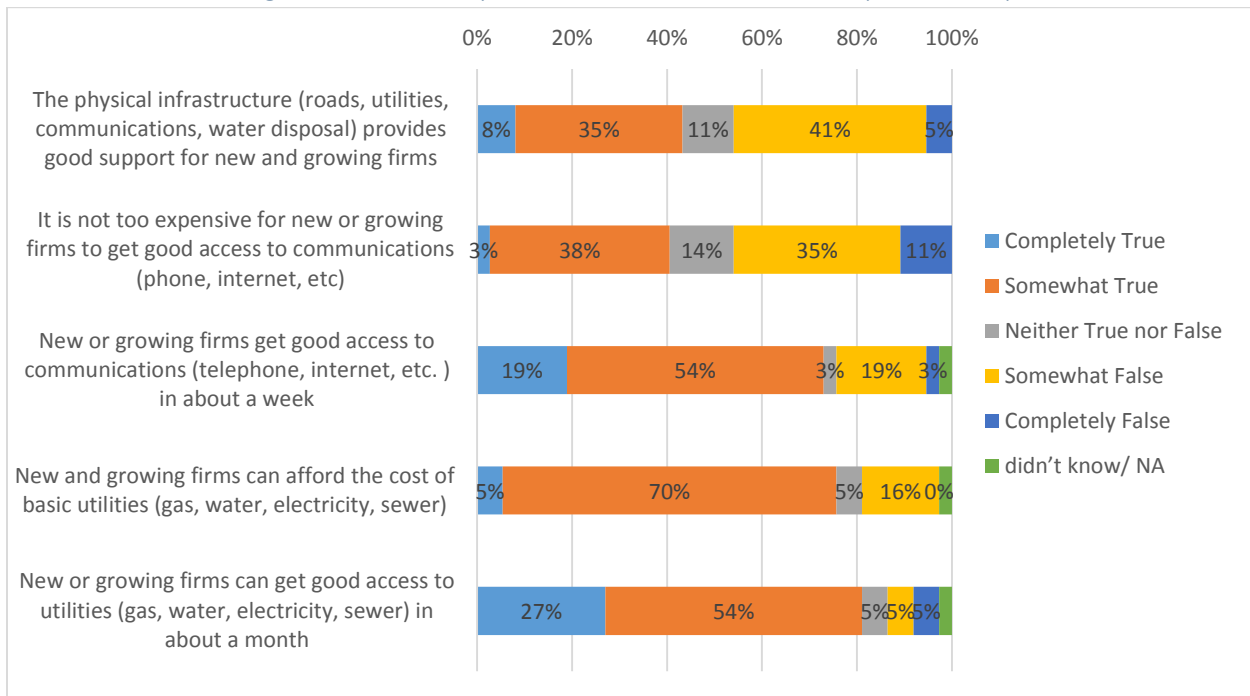


7.8 Physical Infrastructure and Entrepreneurship

While experts were again divided as to the extent that physical infrastructure supports entrepreneurship, the vast majority believe that access to basic utilities was good and timely, and in some instances affordable.

When compared to their assessment of other framework conditions, experts gave a more positive assessment of the physical infrastructure that would be of benefit to new and growing firms. Despite only 43% of experts believing with moderate to absolute certainty that the physical infrastructure provides good support for entrepreneurship, 46% believed otherwise. Over 70% believed that new and growing firms get good and timely access to communications and basic utilities and that such basic utilities, sans telecommunications, are affordable. However, experts were not as convinced of the affordability of access to communications with 41% saying it is likely affordable and 46% doubting it.

Figure 7.8: NES-Physical Infrastructure and Entrepreneurship

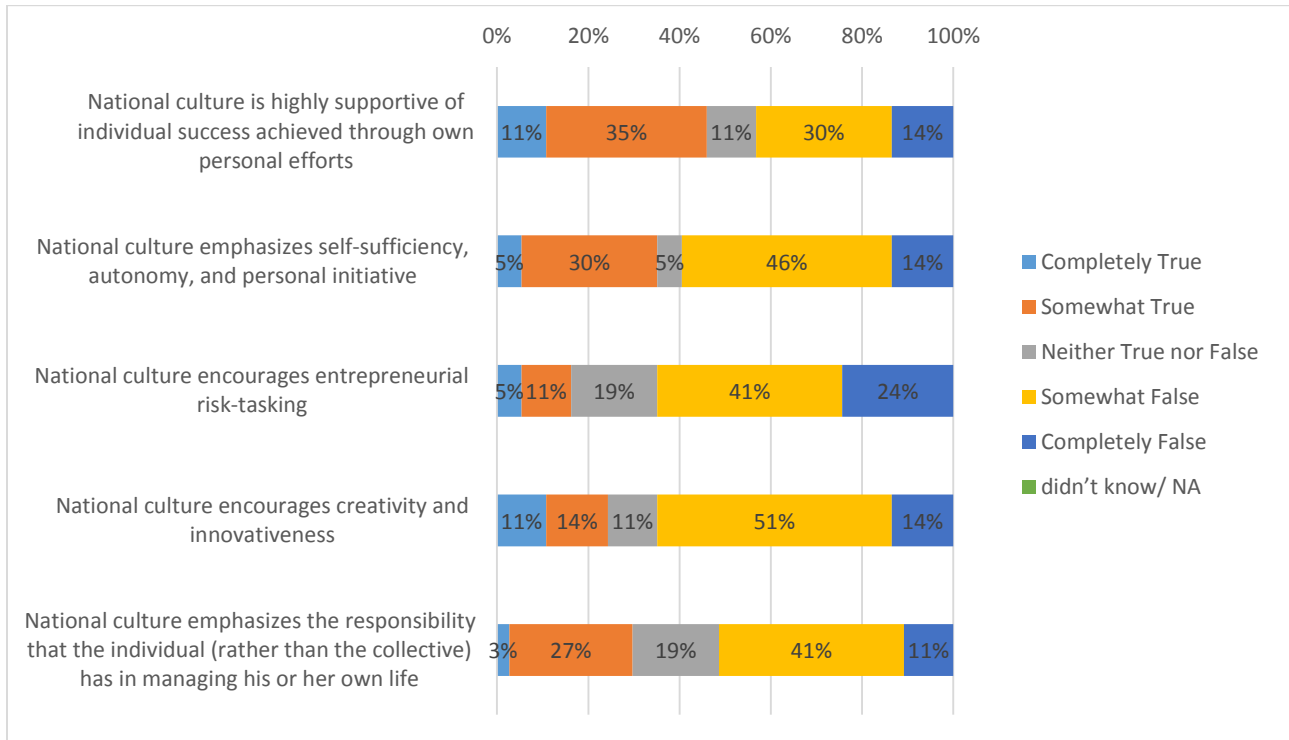


7.9 Cultural and Social Norms Relating to Entrepreneurship

National culture does not emphasize self-sufficiency, autonomy and personal initiative – ideals essential to entrepreneurship – as much as it should.

Experts were fairly equally divided when it came to their perceptions on whether national culture is highly supportive of individual success achieved through own personal efforts. However, 60% of experts doubted whether national culture emphasizes self-sufficiency, autonomy and personal initiative – ideals essential to entrepreneurship. 65% did not believe that national culture encourages entrepreneurial risk-taking and 65% doubted that national culture encourages creativity and innovation. Only 30% of experts believed with moderate certainty that national culture emphasizes the responsibility that an individual has in managing his or her own life, which contrasted with 52% who believed with moderate to absolute certainty that this is not the case.

Figure 7.9: Cultural and Social Norms supporting Entrepreneurship



8.0 EXPERTS OPINIONS CONCERNING ENTREPRENEURIAL ACTIVITY IN BELIZE

Experts were asked to give their opinion on the major factors that they believed to be currently (1) constraining entrepreneurial growth; (2) fostering entrepreneurial growth; and (3) what would be useful to enhance and extend entrepreneurial activity in Belize. Each expert gave three major factors and those factors were codified into themes and tallied across all participant experts to provide summary statistics of the responses. The data manipulation was engineered to tease out any consensus among the experts.

8.1 Constraints to the Growth of Entrepreneurial Activity

Finance along with knowledge and intellectual resources-related issues were cited as major limiting factors accounting for 25% and 19%, respectively, of the total possible constraining factors. Specifically, experts noted that high interest rates and collateral requirements act as barriers to debt-funding for start-up enterprises. Experts also reported a general insufficiency of business acumen and entrepreneurial knowledge being transferred to the population, especially via the schools, teaching institutions and other training and vocational programs. To varying and lesser degrees, experts cited the issues laid out in Table 8.1 below as limiting factors.

Figure 8.1: NES-Constraints to Entrepreneurial Activity

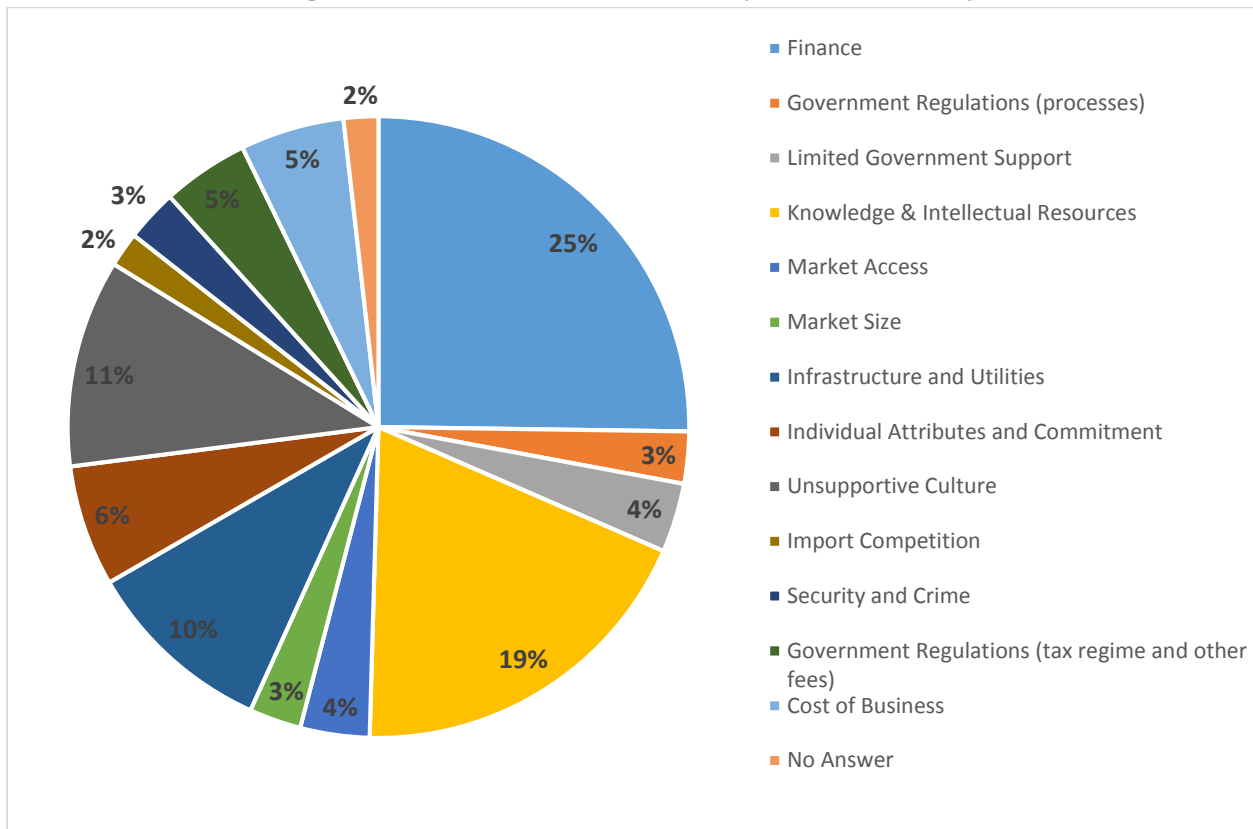


Table 8.1 List of Issues Constraining Entrepreneurship by Themes

Table 8.1 List of Issues Constraining Entrepreneurship by Themes			
<p>Finance</p> <ul style="list-style-type: none"> -High interest rate -Stringent collateral requirements -Inflexible qualifying criteria 	<p>Government Regulations (processes)</p> <ul style="list-style-type: none"> -Slow responsiveness of regulatory agencies -Too much bureaucracy and red tape 	<p>Limited Government Support</p> <ul style="list-style-type: none"> -Little Institutional Support -Regulatory barriers (permit, taxes, etc) 	<p>Knowledge and Intellectual Resources</p> <ul style="list-style-type: none"> -Poor teacher training, weak /irrelevant curriculum -Limited access to Market Intelligence -Lack of creativity and innovativeness -Limited financial literacy -No entrepreneurship focus in schools -Low level of engineering and IT skills -Inadequately trained labor force -Insufficient knowledge of markets - or ability to do market analysis

Market Size and Access -Small markets -Overcrowding and competition	Infrastructure and Utilities -Access to affordable infrastructure and utilities -High communications cost (telecom monopoly) -Limited access to good supporting infrastructure (logistics and transportation) -Insufficient access to technology -Cost of energy	Individual Attributes and Commitment -Initial opening of operations time consuming and not streamlined -Lack of personal initiative & commitment -Misappropriation of business funds for personal purposes -Lack of creativity and vision -Lack of Preparation (knowledge/patience/working capital)	Unsupportive Culture -Risk averse culture -Fear of collaboration -Clientelism -Partisan Politics -Limited community support
Import Competition -Lower cost imports	Security and Crime -Security and crime issues in urban areas -Corrupted regulators -Unregulated borders -Black market and smuggled goods	Government Regulations (tax regime & other fees) -Unsupportive tax regime (high taxes) -High Customs Duty -No tax breaks, especially on purchases (GST)	Cost of Business -High labor cost and access to skilled labor -Too much time needed to recover ROI -Transportation costs -High Fuel Cost

8.2 Stimulators/Drivers of Entrepreneurial Activity

Many experts cited the market composition and market opportunities in Belize in addition to demographics as hugely important in stimulating entrepreneurship in Belize. In terms of market composition, experts noted in myriad ways, that the democratic system, market openness and our socio-cultural proximity to more advanced economies like Mexico and the United States of America creates a favorable environment for entrepreneurship. Experts also indicated that the active global tourism market and our highly marketable and expansive natural resource base prime our economy for more enterprising in the tourism and agriculture industry – exploitable opportunities are present. In terms of demography, experts cited our young and moldable population as a major resource and they also cited the high unemployment rate among youth as a further driver of entrepreneurship by way of alternative employment. To varying and lesser degrees, experts cited the factors laid out in Table 8.2 below as further drivers of entrepreneurship.

As an explanatory side note, BELTRAIDE, or Belize Trade and Investment Development Service, is a statutory body of the Government of Belize mandated to perform functions and duties related to: 1) Trade Development and Promotion; 2) Investment Generation and Promotion; 3) Enterprise Development and Facilitation; 4) Employment Skills Training.

Figure 8.2: NES-Stimulators of Entrepreneurial Activity

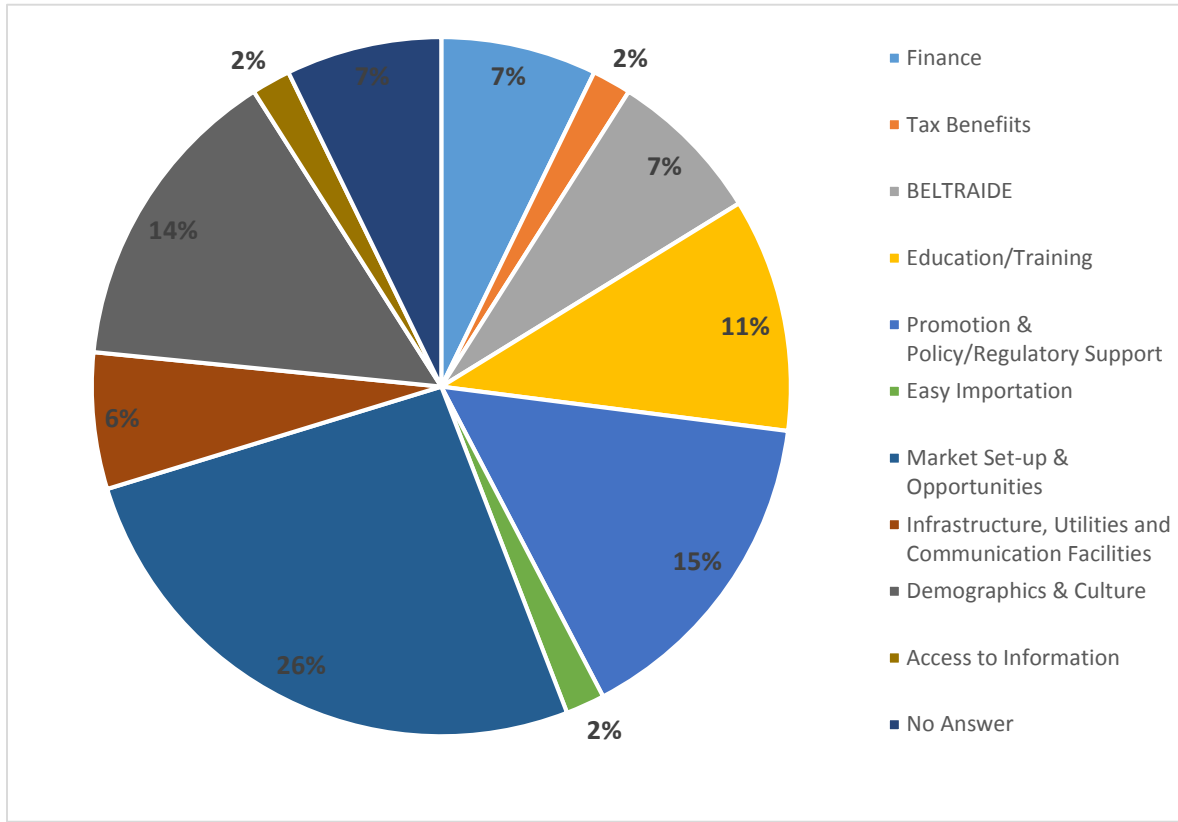


Table 8.2 List of Factors Supporting Entrepreneurship by Themes

<p>Finance</p> <ul style="list-style-type: none"> - Stable currency and financial system Accessible financing through some credit unions -Development Finance Corporation and Small Farmers Banks -Fiscal incentives provided to new businesses (e.g Belize Telemedia Entrepreneurial Competition offering \$60,000 in capital resources) 	<p>Tax Benefits & Easy Importation</p> <ul style="list-style-type: none"> -Tax haven -Relative Easy of Importation of inputs and goods for resale -Access to supplies from more industrialized neighboring countries i.e. Guatemala and Mexico 	<p>BELTRAIDE & Access to Information</p> <ul style="list-style-type: none"> - Dedicated one stop shop for info and support on developing a new business investment 	<p>Education & Training</p> <ul style="list-style-type: none"> -Transfer of traditional knowledge through generation -Investment in technology and incubation centers (e.g. Petters Research Institute) -Vocational, alternative education and NGO projects geared to economic development (eg. ITVET and Tubal Trade and Vocational Institute) -Online programs like the Global School Enterprise Business Challenge (www.schoolenterprise.org)
<p>Promotion & Policy/Regulatory Support</p> <ul style="list-style-type: none"> -Entrepreneurial workshops Government Agency, ie Beltraide -No overly stringent laws surrounding start-ups -Low regulation in respect to business licensing for SMEs -Government policy at the top level -An independent state with a long history of a free press, an independent judiciary and respect for law 	<p>Market Set-up & Opportunities</p> <ul style="list-style-type: none"> -Our free market system -Growing Tourism & Agriculture Industry -Available market areas -Not much barriers / Not much standards -Micro Vending opportunities as an alternative to employment is easy -Opportunity for informal Business -The relative openness of the economy to investment -Under-developed markets -Geographic location and natural resource endowment -Open & globally connected economy -US Influence Reasonably competitive labor costs 	<p>Infrastructure, Utilities and Communication Facilities</p> <ul style="list-style-type: none"> - Available Internet & Communications infrastructure -Low advertising and marketing costs -Reasonably good road network 	<p>Demographics and Culture</p> <ul style="list-style-type: none"> -High Unemployment Rate -Young workforce - open to new ideas (culture change) -Individual creativity -Drive for income independence -Available fairly skilled workforce

8.3 Recommendations for Enhancing Entrepreneurial Activity and Success

Education, promotion and advocacy initiatives were most emphasized by experts in their recommendations for enhancing entrepreneurial activity in Belize. Much of the suggestions were geared towards stimulating a change in culture away from employment complacency and/or public sector employment to a drive for self-employment and business establishment and ownership. Experts also had a litany of suggestions for improving financing streams for start-ups, noting repeatedly the need for more concessionary loans and alternatives to debt-financing like venture capitalism and equity. Many experts also believed that there was a need for an improved tax regime to incentivize growth in new markets, some experts went as far as to recommend direct subsidies to reduce the cost of production to stimulate entrepreneurship in some industries.

The Small Business Development Centre Belize (SBDC Belize), a unit of BELTRAIDE, provides customized needs-based services to medium-sized and micro enterprises with the aim of facilitating their competitiveness and export readiness. Collectively, BELTRAIDE and SBDC Belize, are executing a number of advocacy, promotional and supporting initiatives toward entrepreneurship in Belize and the experts indicated the need to scale-up this type of incubation agency. To varying and lesser degrees, experts recommended the initiatives and steps laid out in Table 8.3 below as beneficial to future entrepreneurial growth.

Figure 8.3: NES Recommendations by Themes

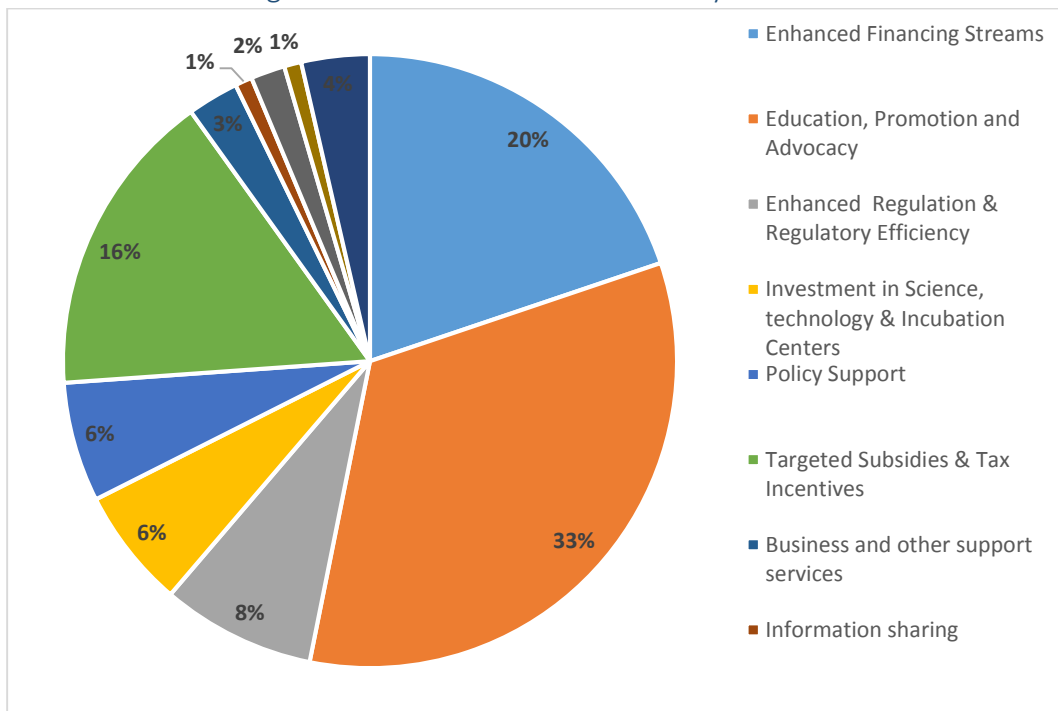


Table 8.3 Recommended Initiative for Enhancing Entrepreneurial Activity by Theme

<p>Enhanced Financing Streams</p> <ul style="list-style-type: none"> -Establish a loan guarantee program -Promote equity financing of SMEs directly or via tax credits -Add financial window to programs supporting entrepreneurial development -More concessionary financing (rates of 2-3%) -Encourage greater competition in the banking sector -More funding based on personal profile, limit strict need for collateral -Creation of a credit bureau, establishment of registry for movable assets and export credit insurance scheme -Encourage venture capitalist (prepared to share risk) to fund entrepreneurial activity 	<p>Education, Promotion & Advocacy</p> <ul style="list-style-type: none"> -Market the opportunities for financial and business assistance. -More informal training in management of finances -Need entrepreneurship hub and incubation center to promote entrepreneurship nationally -Inculcating and nurturing an entrepreneurial spirit from primary educational level -Creativity, risk-taking culture promoted in schools -Redefining the educational curriculum in pre-University institutions to emphasize self-sufficiency as opposed to employment -Establishment of more programs like the Small Business Development Centre in every district -Institutionalize research and development in Universities -Significant improvement in the teaching of science and technology -Encourage the apprenticeship system as a precursor to entrepreneurship -Encourage trade fairs, science and technology fairs -Promotion of a Buy Belize Program -Strengthen community support of homegrown enterprises 	<p>Enhanced Regulation and Regulatory Efficiency</p> <ul style="list-style-type: none"> -More efficient government regulatory frameworks -Improvement in Governance and transparency of transactions -Improved regulation of all border entry points -Transparent Tax concessions. -Reducing bureaucracy and paperwork associated with accessing credit, environmental compliance and other regulatory requirements. -Provide tax incentives for investment in priority industries and geographic areas. -Disseminate of legal/regulatory information using channels that provide easy access to SMEs. -Allow for the development of fiscal and monetary incentives for MSME -Strong incentives for compliant investors / aid in access to financing -Equal Opportunity 	<p>Investment in Science, Technology and Incubation Centers</p> <ul style="list-style-type: none"> -Create venues in which businesses can solicit and procure creative solutions to meet their demands -Innovation hubs with internet access and cross section of talent in one place cross pollinating each other
<p>Policy Support</p> <ul style="list-style-type: none"> -Get government bureaucracy in line with, and more supportive of, government's policy to encourage investments and 	<p>Targeted Subsidies & Tax Incentives</p> <ul style="list-style-type: none"> -Revision of the tax laws to even the playing field and remove biases against production -Lower Fuel cost and utility rates 	<p>Business and Other Support Services & Information Sharing</p> <ul style="list-style-type: none"> -Expand business support services to SMEs -More assistance with the business knowledge / guidance (mentorship) 	<p>Improved Infrastructure and New Trade Agreements</p> <ul style="list-style-type: none"> -Increase access to/availability of technology and

<p>entrepreneurial activity</p> <ul style="list-style-type: none"> -GOB clearly outlines investment wanted - definite no policy to speculation and unwanted investment - at all scales: local and foreign -Make it more of a national priority 	<ul style="list-style-type: none"> -Reform of tax system to allow for startup losses and tax credits -Lower tax rates/tax exemptions -Provide tax free status for new business by young people -Lower import Taxes on raw and packaging material -A government of Belize subsidized program to encourage manufacturing of import substitutes 	<ul style="list-style-type: none"> -Hand-holding on taking an idea through development to being market ready -More effective information sharing on what is available (market research) 	<p>communications throughout the country</p> <ul style="list-style-type: none"> -Improvement the physical infrastructure (ports, roads) and reduce in the cost of communication and electricity -Expand trade agreements to expand market size and potential
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9.0 CONCLUSIONS

1. Entrepreneurship is a key element of economic development. Typically, countries in the early phases of economic development display higher levels of entrepreneurship compared to more advanced economies. Belize is classified as an efficiency-driven economy where the competitive focus is on new products or services which enhance productivity and operational efficiency. During this phase, one would expect to see moderately strong levels of entrepreneurship but this is not the case for Belize. Belize is well below average for TEA in the LAC region, and similarly out of step with comparator economies.
2. Entrepreneurship requires internally, a certain hard-wiring, and externally, exploitable opportunities. This means that focus needs to be given to changing the psychological make-up of citizens, encouraging via educational curriculums, self-reliance, self-sufficiency, meritocracy, and economic independence as precursors to an entrepreneurial attitude. It also means developing the business acumen of the populace so that they can readily identify and exploit new business opportunities. It is clear that much more needs to be done in Belize to get this hard-wiring right.
3. Major expert recommendations follow from the major perceived constraints: education/cultural orientation and financing. Experts believe that education and cultural inclination for entrepreneurship are linked, education is a medium to engender an entrepreneurial culture and schools, particularly primary and secondary institutions need be active in the culture change. Finance is also important as there is a sense that low levels of investment in new businesses is limiting the scope and type of entrepreneurial activities. There is a preference for a diversity of financing options, with recommendations for more innovative streams of financing like angel investing and equity markets. The feeling is that traditional debt financing via commercial banks are rendered virtually inaccessible by stringent application processes and collateral requirements.
4. Concentration of TEA in Cayo is likely reflective of spin-offs created from growing tourism market which has been supported by the Sustainable Tourism Master Plan as well as Infrastructural Projects. In contrast, the cruise impact has not been as strong of a catalyst in Belize City. More concerning is the relative comatose state of activity in Stann Creek where the big industries of Banana, Citrus, and Shrimp are situated but according to anecdotal evidence this may be simply because of the lack of interest. The experience of BELTRAIDE SBDC, who offers support programs, has been that Stann Creek does not necessarily take up these programs with the eagerness that persons in other regions do, for instance Toledo. Again, there is need to better understand the factors contributing to the difference in entrepreneurship here. Nationally, Stann Creek has the highest unemployment rate (15%) and Toledo the lowest (8.0%). Yet TEA rate in Toledo more than quadruples that of Stann Creek. This reinforces the notion that necessity is not a

strong driving force for entrepreneurship in Belize, and it also reinforces the findings of BELTRAIDE, that some personal attributes may be at play in these parts.

5. Unusually, the highest TEA levels in Belize are seen among persons aged 45 to 54 years and this is seen as directly reflective of the savings patterns of Belizeans. Persons in the older cohort would have access to own financing and collateral to start a business and be more motivated to do so to help supplement their pension and other retirement annuities. Persons in the younger cohort, the aged 25 to 35 years old who show globally as the most entrepreneurially active, are only second most active in Belize. This again is likely due to the fact that they would not have as easy access to financing.
6. Many experts believed that there was a shortfall of government programs supporting entrepreneurship and that there is need for a one stop shop for information concerning business development in Belize. While it is true that more can be done to create incubators for entrepreneurial activity, it is also important to highlight the extensive work being done by BELTRAIDE which purports to be a one stop shop for trade and investment information in Belize. That experts were not as cognizant of the extent of work of BELTRAIDE and the programs they've initiated is a clear signal for more strategic media exposure to BELTRAIDE's work, and the work of the entrepreneurs they support across the country.

10.0 AUTHORS' RECOMMENDATIONS

The global entrepreneurial trend is to see young persons between the age of 25 to 35 at the forefront of new business development. This is not the case for Belize where older persons age 45 to 54 years are the most entrepreneurially active, and notably more so than the younger cohort. Recent national statistics also show that young persons suffer the highest rate of unemployment in the country, with persons aged 14 to 24 accounting for 45% of unemployment and those aged 25 to 34 accounting for 29% of unemployment. In terms of underemployment, persons aged 14 to 34 account for 49% of those persons reported as underemployed (SIB, 2015). This speaks to a huge underutilization of what is often heralded as one of the country's most important investment assets, its youth population. Too many are altogether excluded from the work force or the work does not optimize the skills and talents of young persons. This signals two things: (1) a serious development need for more jobs, for which entrepreneurship can provide a solution; and (2) more concerted and concentrated efforts to help incentivize and support young persons in undertaking new business ventures – overcome the barriers to self-employment as alternative to traditional jobs.

The Report has identified financial circumstances, specifically, low private savings rate, rigidities in the access to finance and the perceived comfort of public sector employment as responsible for skew away from youth entrepreneurship. It was elaborated that the older cohort in the population accumulates personal finance (from retirement savings, pension, etc.) and capital (land) to a point where starting a business does not seem as risky. Having established this premise it is clear that any successful policy intervention seeking to enhance youth participation in early entrepreneurial activity in Belize must address the financing shortfall. Beyond a financial policy that would make access to credit and capital easier, there also needs to be further investigation into the markets available to youths and the routes of entry as well as the role that technology, a critical part of youth entrepreneurship and modern commerce, can play in advancing the youth entrepreneurship agenda in Belize.

The GEM report is vitally important as a source of empirical data for policy decisions and actions to be taken by the Economic Development Council to strengthen the business sector in Belize. However, the observations coming out of this 2014 report is not ideal as they represent inferences drawn from a single survey event. Repetition of the survey from year to year is important to establish trends and track progress over time.

Lastly, there is interest to see if there is any differentiation in Total Early-Entrepreneurship Activity between Belize's indigenous and immigrant population and cultural/ethnic disposition. This kind of deeper level insight into the demographics of entrepreneurs may better help policy advisors design programs specifically responsive to the unique needs of those subsections of society.

11.0 NATIONAL EXPERT SURVEY

GEM assesses the state of the entrepreneurial framework conditions existing within a country through the use of the National Expert Survey (NES). This survey attempts to capture the expert opinion of individuals with over ten years' experience working in nine social spheres:

- Finance: bankers, public managers of financial programmes or subsidies, venture capitalists, business angels, entrepreneurs, and business people in general.
- Policy Makers: public officers involved in economics, taxation, and development agencies.
- Public Program Administrators: personnel in government programmes, public agencies, business associations, development agencies, entrepreneurs and people to whom the programmes are addressed.
- Education: Professors, lecturers, teachers (school, college, university, professional or vocational education), and other personnel involved in education.
- R&D Transfer: personnel in industry, innovation, development and growth, public or private agencies, scientific parks personnel, university researchers, engineers, some technological and scientific entrepreneurs.
- Commercial and business services: lawyers, accountants, advisors economists, market analysts, and survey vendors.
- Market openness: market analysts, some researchers at universities or business schools, business associations, commerce chambers, governmental agencies involved with the economy and development.
- Physical infrastructure: personnel from businesses and enterprises that provide utilities (water, phone, and electricity), engineering, real estate, governmental agencies related to infrastructure, industrial parks, etc.
- Cultural and social norms: business associations, press, media in general, customers, providers, sociologists, entrepreneurs, foundations, researchers, and trade unions.

12.0 GLOSSARY

The Glossary of Terms provides a useful and convenient reference point of core terms and metrics used in the Survey and National Report. The following list was sourced from the GEM Consortium Homepage - <http://www.gemconsortium.org>.

National Level Statistics

Total Early-stage entrepreneurial activity (TEA): Percentage of individuals aged 18-64 who are either a nascent entrepreneur or owner-manager of a new business.

Nascent entrepreneurship rate: Percentage of individuals aged 18-64 who are currently a nascent entrepreneur, i.e., actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months.

New (baby) business ownership rate: Percentage of individuals aged 18-64 who are currently an owner-manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months.

Opportunity-based early-stage entrepreneurial activity: Percentage of individuals involved in early-stage entrepreneurial activity (as defined above) who claim to be purely or partly driven by opportunity as opposed to finding no other option for work. This includes taking advantage of a business opportunity or having a job but seeking better opportunity.

Necessity-based early-stage entrepreneurial activity: Percentage of individuals involved in early-stage entrepreneurial activity (as defined above) who claim to be driven by necessity (having no better choice for work) as opposed to opportunity.

Improvement-driven opportunity early-stage entrepreneurial activity: Percentage of individuals involved in early-stage entrepreneurial activity (as defined above) who (1) claim to be driven by opportunity as opposed to finding no other option for work; and (2) who indicate that the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income.

High-growth expectation early-stage entrepreneurial activity (relative prevalence): Percentage of early-stage entrepreneurs (as defined above) who expect to employ at least 20 people five years from now.

New product-market-oriented early-stage entrepreneurial activity (relative prevalence): Percentage of early-stage entrepreneurs (as defined above) who report that their product or service is new to at least some customers and that not many businesses offer the same product or service. **[Innovation]**

International-oriented early-stage entrepreneurial activity (relative prevalence): Percentage of early-stage entrepreneurs (as defined above) who report that at least 25% of their customers are from foreign countries. **[Internationalization]**

Established business ownership rate: Percentage of individuals aged 18-64 who are currently an owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.

Business discontinuation rate: Percentage of individuals aged 18-64 who, in the past 12 months, have discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business. *This is NOT a measure of business failure rates.*

Individual attributes of a potential entrepreneur

Perceived opportunities: Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who see good opportunities to start a business in the area where they live.

Perceived capabilities: Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who believe they have the required skills and knowledge to start a business.

Entrepreneurial intentions: Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who are latent entrepreneurs and who intend to start a business within three years.

Fear of failure rate: Percentage of individuals aged 18-64 involved in any stage of entrepreneurial activity excluded who report that fear of failure would prevent them from setting up a business.

Informal funding: Any respondent personally contributing, in the past three years, funds for a new business started by someone else, excluding any purchases of stocks or mutual funds.

NES Framework Conditions

Entrepreneurial Finance: The availability of financial resources—equity and debt—for small and medium enterprises (SMEs) (including grants and subsidies).

Government Policy: The extent to which public policies support entrepreneurship. This EFC has two components: *Entrepreneurship as a relevant economic issue and Taxes or regulations are either size-neutral or encourage new and SMEs.*

Government Entrepreneurship Programs: The presence and quality of programs directly assisting SMEs at all levels of government (national, regional, municipal).

Entrepreneurship Education: The extent to which training in creating or managing SMEs is incorporated within the education and training system at all levels. This EFC has two components: *Entrepreneurship Education at basic school (primary and secondary) and Entrepreneurship Education at post-secondary levels (higher education such as vocational, college, business schools, etc.).*

R&D Transfer: The extent to which national research and development will lead to new commercial opportunities and is available to SMEs.

Commercial and Legal Infrastructure: The presence of property rights, commercial, accounting and other legal and assessment services and institutions that support or promote SMEs.

Entry Regulation: This EFC contains two components:

Market Dynamics: the level of change in markets from year to year, and;

Market Openness: the extent to which new firms are free to enter existing markets.

Physical Infrastructure: Ease of access to physical resources—communication, utilities, transportation, land or space—at a price that does not discriminate against SMEs.

Cultural and Social Norms: The extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income.

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