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BELIZE
TOURISM INDUSTRY

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INTRODUCTION

Primarily as a result of the increase in disposable income, particularly in the industrial world, tourism has become one of the world's fastest growing industries. For a number of Caribbean economies, faced with falling earnings from the traditional agricultural exports, tourism has become a major source of foreign exchange. Due to the labour intensive nature of the industry, tourism is an important generator of employment, directly and indirectly, and is a significant contributor to gross domestic product.

The development of Belize's tourism industry took on significance in the mid-1980s following the economic crisis in the early part of that decade. Since then, the plan has been to maximize tourism's contribution to the development process and to increase the net foreign exchange earnings from the industry, while ensuring a balance development between tourism and the environment.

Almost a decade after tourism was placed second on the government's list of priority areas for development, and despite numerous studies undertaken, analysis of the industry is often limited by lack of information. The purpose of this paper is to provide an historical perspective on the development and performance of the industry, and to provide the basis for further analysis of the industry.

The paper is divided into five sections. Section 1 gives background information on the economic development up to the mid-1980s and reviews governments' overall economic and tourism development strategies since the 1960s. Section 2 focuses on the performance of the industry, evaluating such key variables as tourist arrivals and hotel sector developments. It also examines the marketing and promotion of Belize as a destination and the various supporting institutions and infrastructure. Section 3 attempts to analyze the macro-economic impact of tourism. It looks at economic developments between 1987-1992 and examines such issues as employment and training, financing, government revenue and expenditure, foreign exchange earnings, and leakages and linkages. Sections 4 and 5 give the summary and conclusions, respectively.

1. POLICY OVERVIEW

1.0 Background

The Belizean economy has historically been dominated by the agricultural sector. During the eighteenth and late nineteenth centuries forestry was the mainstay of the economy followed later by the exportation of sugar, citrus concentrate, banana and marine products. Since the late 1980s however, the importance of tourism as an area for economic development has been increasing.

From the 1960s through 1977, the economy witnessed strong and steady growth with real GDP increasing at an annual rate of some 4.5%. The basis for the performance was the expansion of the sugar industry, the re-establishment of the banana industry, the implementation of several infrastructural projects and the establishment of a number of new industries. The public finance remained sound, particularly in the 1972 to 1977 period, reflecting the buoyancy of the economy and effective budgetary control.

Between 1978 and 1981 economic activity slowed with real GDP recording average annual growth rate of 1.8% and was attributed to factors associated with domestic as well as international developments. The agricultural sector performed poorly during the period as bad weather and smut disease resulted in a significant drop in sugar production, which accounted for some 25% of GDP, and manufacturing activities stagnated. The country's trade position

worsened during the period reflecting the steady and unfavorable deterioration in the terms of trade, starting in 1980 when the international recession began. The prices for sugar, which accounted for more than half of total export earnings, and that for citrus slumped. In addition, the devaluation of the pound versus the US dollar impacted severely on exports as some 20% of the exports went to the UK. The situation was made worse when the devaluation of the Mexican peso in 1982 resulted in a virtual collapse of the once vibrant re-export trade.

To compound the situation, a rise in the fiscal deficit, which had deteriorated sharply since 1980, led to an expansion of aggregate demand placing additional pressure on the balance of payments. Concomitant with a stagnating economy and a worsening balance of payments, public finances continued to deteriorate, forcing the authorities to implement an adjustment programme - introduced in mid-1984, in order to avert further deterioration. The programme was supported by an IMF Stand-by arrangement from December 1984 to June 1986. By 1985 the programme proved successful in improving the country's international reserves position and public savings.

1.1 Economic Development Strategy

Governments' development strategies have emphasized the development of the agriculture sector - both export and domestic agriculture, and the secondary industries and services that contribute most to the development of that sector.

In the 1970s, the development strategy was aimed at increasing real output through the expansion of production for exports, import substitution and import replacement; increasing national savings; reducing the current account deficit of the balance of payments; increasing employment opportunities; diversifying the economic structure in order to increase the country's viability; and raising the standard of living through greater participation in the development process. Cognizant of the need to strengthen the country's financial position and the inability of domestic savings to finance growth, foreign investments were encouraged. These were encouraged under specific conditions - as stipulated in the Development Incentive Ordinance 1960, and in areas that would increase the country's foreign exchange generating potential. In addition, it was expected that these investments would improve the country's technological capacity, provide new equipment and the needed additional skills, given the shortage of adequate quality and supply of labour.

The economic crisis witnessed in the early 1980s brought to the forefront the consequences of relying on one major export crop, and the need to lay the foundation for sustained economic development. As a result, since 1985 the development strategy has given priority to the diversification of the country's export base, while stressing the need to increase domestic food production. The priority industries for development have been, in order of importance: agro-industry, tourism, fisheries and mari-culture,

forest-based industries, and manufacturing. In addition, the plan has been to increase productivity through more efficient use and management of resources and by improving production techniques in order to produce better and higher valued goods. Priority has been placed on the development of the human resources through education and training.

The implementation of the plans requires an active partnership between the public and private sectors. The government has been responsible for the formulation of policies, the provision of the necessary infrastructure and the creation of the macro-economic environment conducive to private sector investment. For its part, the private sector has been entrusted with the task of "organizing national resources into productive activities". Joint ventures with foreign investors are being encouraged, and since 1990, additional inducements have been provided under the Fiscal Incentives Act 1990, the Export Processing Zone Act 1990, and the international business companies legislation.

Because the unavailability and the high cost of long-term capital have been deterrence to investment, the **Development Plan 1990-1994** emphasized the development of an "efficient and diversified capital market". The market is expected to stimulate financial savings, expand the volume of credit available for productive investment and allocate credit to the most efficient investors.

1.2 Tourism Sectoral Strategy

Despite the many recommendations embodied in the various studies on the industry, little reference was made to tourism in the economic development plans before 1985. The kind of investment that were targeted were in export agriculture and import-substitution activities. Until the late 1970s tourism and tourism-related activities were handled through the Development Finance Corporation (DFC). It took the economic crisis of the mid-1980s and the need to find new sources of foreign exchange for recognition to be given to the development of tourism.

In 1961 a group of tourism consultants undertook a study of Belize's potential as a tourist destination. The recommendation was that the potential existed, sufficient to warrant the inclusion of tourism development and promotion as a fundamental part of any economic plan for the country's future. The lack of organized tourist facilities was cited as the primary reason for the small number of visitors to the country at that time. It was emphasized that the basic infrastructure had to be improved in order to encourage the development of tourism.

Government's incentives to encourage the establishment of tourism facilities were embodied in the Development Incentive Ordinance 1960, in the form of tax holidays to approved enterprises. Through the DFC, some \$350,000 were set aside to be used, over the seven-year period 1964-70, for "token investment by the government in

tourist ventures".¹ The training of guides, waiters and other operatives for the industry was to be addressed by the government.

With the low emphasis given to tourism, the industry continued to develop into the 1970s on an ad hoc basis, with the type of development been determined almost exclusively by the private sector. The industry faced numerous problems including: lack of adequate accommodation and complementary facilities; lack of persons with the required skills to serve the industry; the need for improvement in the infrastructure, in particular the airport and major roads; lack of service and entertainment facilities; lack of adequate credit facilities to local businessmen who might be interested in investing in the industry; and a lack of legislation to maintain quality standards in all areas of the industry.

By the end of the 1970s it was clear that in order for the industry to develop in an orderly and systematic way, the impetus and direction would have to come from the government. In 1981/82, under a programme of technical assistance, the United Nations Development Programme was given the task of analyzing the tourism sector and making recommendations for a 5-10 year development plan. Issues to be covered in the plan included the scope and scale of tourism, identification of potential markets, a marketing plan, infrastructural and superstructural needs, investment timing and

¹. Government of Belize, "The Belizean Seven Year Plan, 1964-1970".

costs, and organizational and budgetary costs. Additional funds were provided for the Belize Tourist Bureau to intensify its promotional activities.

With the onset of economic crisis in the early 1980s and the need to diversify the country's economic base, tourism was declared the second most important industry for development in 1989. Since then, the objectives of the tourism strategy have been to increase the volume of bonafide tourists; maximize the net contributions of tourism in terms of foreign exchange earnings, government revenue, employment creation; create a suitable investment climate; provide capital for the expansion of tourism infrastructure and services; increase the backward linkages with other sectors; promote a balance development between tourism and the environment; diversify the tourism product through the promotion of eco-cultural tourism; and enhance the training opportunities for the people in the industry.

The strategy focuses on the promotion of capital for expansion, with preferential lending conditions for Belizeans and the promotion of tourism co-operatives as a means of mobilizing capital for local investment; emphasizes vocational training, the provision of management training schemes and incentives for on-the-job training; strengthening of the institutions responsible for tourism administration; increasing the industry's competitiveness by promoting investment in higher standard accommodation facilities,

particularly in the west and north as part of the integrated Ruta Maya circuit; formulating development and zoning plans for the cataloguing of tourism sites and highlighting infrastructural needs; targeting niche markets, the main ones being North America, Europe and Mexico; and establishing a tourism district in the Fort George area of Belize City.

The responsibility for investment in the sector continues to lie with the private sector. Foreign investment is still being encouraged but steps are to be taken to ensure the increased participation of Belizeans in the industry. Certain aspects of tourism and related industries were to be reserved exclusively for Belizeans or Belizeans holding substantial partnership interest in joint ventures with foreigners.

2. SECTOR SURVEY

2.0 Attractions

Belize has been a fascination not only of tourists in search of tropical climate and exotic culture, but to an increasing number of visitors to whom the abounding unspoilt and historic attractions appeal. Belize's foremost attractions are the 168 miles long barrier reef -the longest in the western hemisphere, the cayes, the atolls, the mayan ruins, and the fauna, flora and other wildlife.

The cayes, and in particularly Ambergris Caye, are the birthplace for tourism. Along with the barrier reef, the cayes with their opportunities for sea-excursions, scuba diving, snorkeling and fishing remain the main attractions for the majority of tourists. In excess of 600 mayan archeological sites have been identified in Belize. This is the highest concentration of ruins and cave dwellings in the entire mayan world, and places Belize as an integral part of the Ruta Maya circuit - a network of mayan trade routes extending from Mexico, Honduras, Guatemala and El Salvador². Belize also has extensive, uninhabited forested mountain areas rich in wildlife. Sixteen (16) such areas have been declared as forest reserves and eight (8) as wildlife, marine, nature sanctuaries and/or reserves, including the world's only jaguar reserves.

². This is being promoted by the Mundo Maya, a group of public and private sector representatives founded to promote, preserve and protect the cultural, historical and environmental heritage of the ancient maya world.

The global consciousness about the need to preserve the environment has helped to redefined tourism worldwide. New categories of tourists have been emerging, searching for "real, authentic, natural, healthy and activity-oriented experience"³. Given the diversity of the attractions and the abundance of wildlife, "eco-tourism" has become the new buzz word in tourism, and Belize is being promoted as the premier eco-tourism destination in the region. Eco-tourism is defined as "the careful husbanding of Belize's natural resources such as the barrier reef, inland forests and savannahs, rivers, wildlife, flora and fauna and the majestic ancient maya city states for controlled tourism with a specific sensitivity to possible harm or effect to those resources"⁴.

Belize's natural attractions have appealed to middle-age, middle-income, adventure-type, educated tourists including archaeologists, anthropologists, ecologists and naturalists. During the early years of its development, the industry attracted retired and semi-retired professionals, but with increased interest in diving, the average age group of visitors has ranged from 25 to 40 years.

2.1 Visitor Arrivals

Official estimates indicate a more than four-fold increase in visitor arrivals from 54,598 in 1975 to 252,529 in 1992 (Table 1).

³. Poon, A. "New Approach To Tourism".

⁴. GOB, "Integrated Tourism Policy and Strategy Statement".

TABLE 1. TOURIST ARRIVALS 1975-1992

Country of Origin	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
USA	18,734	16,590	18,255	19,823	20,172	19,187	23,638	26,225	26,928	27,036	33,539	38,837	45,314	56,272	76,058	82,272	76,256	82,133
Canada	2,783	2,584	2,913	3,346	2,990	2,249	2,160	1,699	2,527	2,799	3,893	4,420	4,241	5,209	4,989	7,595	7,777	8,900
UK	2,255	3,017	1,432	1,693	1,524	2,421	1,638	3,009	2,002	2,228	6,458	8,728	8,995	10,199	9,465	10,226	10,655	13,133
Europe	3,288	2,274	5,424	8,448	5,186	3,985	9,477	5,367	2,981	5,910	7,456	8,483	8,321	10,375	10,682	11,639	15,361	21,577
Other	27,538	28,229	26,609	26,601	31,842	35,893	27,306	31,037	29,791	50,457	42,094	33,285	32,395	59,951	71,635	104,663	105,393	121,588
Total	54,598	52,694	54,633	59,911	61,714	63,735	64,219	67,337	64,229	88,430	93,440	93,753	99,266	142,006	172,829	216,395	215,442	252,522
Mode of Arrival																		
Air	22,796	17,411	28,142	31,506	20,749	19,625	17,421	28,203	22,828	28,309	31,935	52,048	56,855	57,132	66,334	110,248	106,957	108,633
Land	30,376	34,770	25,658	27,907	40,103	43,344	46,262	38,088	33,176	55,269	55,030	40,226	38,125	74,220	91,813	88,053	100,856	138,777
Sea	1,426	513	833	948	862	766	536	1,046	8,225	4,852	6,365	1,479	4,286	10,654	14,682	18,094	7,629	5,111
Total	54,598	52,694	54,633	60,361	61,714	63,735	64,219	67,337	64,229	88,430	93,440	93,753	99,266	142,006	172,829	216,395	215,442	252,522
Bona fide Land*	10,632	12,170	8,980	9,767	14,036	15,170	16,192	13,331	11,612	19,344	19,282	14,079	13,344	25,977	32,135	30,819	35,300	48,577
TOTAL BONA FIDE TOURISTS	34,854	30,094	37,955	42,221	35,647	35,561	34,149	42,580	42,665	52,505	57,632	67,606	74,485	93,763	113,151	159,161	149,886	162,322

* Based on estimate of 1975-87 = 35% of total overland tourists; 1984-85 = 25% to account for influx of refugees; 1988-91 41% and 1992 = 36%.

Sources: CSO, Abstract of Statistics
 Belize Immigration Department
 Belize Tourist Board
 World Bank, Economic Memorandum on Belize, April 1982

However, these have not all been bonafide tourists as the figures are overstated to the extent that they include: persons from neighbouring Central American countries, the vast majority of whom enter through the land borders as excursionists/daytrippers and to seek employment locally; overland travellers intransit to or from Mexico and Guatemala⁵; and returning residents - Belizean nationals who reside abroad, some of whom travel overland⁶. In addition, those specified as tourists through the seaport⁷ include an increasing number of daytrippers/excursionists from Honduras and Guatemala who enter through the Dangriga and Punta Gorda seaports. Although the numbers for seaport arrivals remain high, the permanent posting of immigration officers in Dangriga and Punta since early 1992 has resulted in a marked decline in those recorded as tourists through the seaports since 1991-92⁸.

There have been a number of attempts to estimate the arrivals by bonafide tourists. In the 1986 survey⁹, only 9% of the Central Americans were alluded to as banafide tourists. In 1988/89, Mr. Zigi Loeper then advisor to the Belize Tourist Board (BTB),

⁵. At present, there is no information as to how many from this grouping spend at least one night in Belize.

⁶. The broad definition of tourists would include the returning residents. However, because their use of accommodation facilities is extremely limited, they are generally not classified as bonafide tourists.

⁷. These are persons entering the country by boats, yachts, etc and do not include cruise ship passengers.

⁸. This tabulation was done previously by police officers stationed in the areas.

⁹. A visitor expenditure and motivation survey undertaken by the Caribbean Tourism Research and Development Centre and the Belize Tourist Board in 1986.

estimated bonafide overland tourists to be only 5%-10% of total overland visitors. Up until recently, the Central Bank has been taking a conservative 5% of total overland visitors as bonafide tourists. Since 1991 the Immigration Dept. has attempted to separate those Central Americans carrying border permits which are used mainly by the daytrippers and excursionists. These figures indicate that some 2% of total Central American visitors in 1991 and 1992 were bonafide tourists. The Immigration Dept. has also indicated that some 25% of USA visitors through Santa Elena and 10% of those through Benque Viego are Belizean Americans. Because of the absence of data as to the extent of over-reporting through the seaports and Belizean Americans arriving through the airport, the figures in Table 1 for bonafide tourists reflect adjustments to the figures for overland visitors only. The estimates took into consideration those Central Americans with border permits as well as the Belizean Americans who enter through the the land borders. Estimates range from 35% to 42% of total overland visitors, with a low 25% for 1984-85 when there was an influx of refugees into the country.

Bonafide tourists is estimated to have increased from 35,854 in 1979 to 164,444 in 1990. The recession in the USA and the effects of the Persian Gulf crisis contributed to a 5.2% decline in 1991 but by 1992 tourist arrivals recovered by 5% to 163,712 (Table 2). Despite the international recession of the early 1980s, indications are that arrivals by bonafide tourists grew at an average annual

rate of 7.8% between 1980 and 1984, up from the 2% growth rate of the previous five years. Reflecting the increased promotional activities and the demand for eco-tourism in North America and Europe, tourist arrivals expanded at a significant 26.2% average annual rate from 1985-90. For the period 1985-92, the average annual growth rate was 18.7%.

Arrivals are highest during the winter season, November through March/April (depending on when Easter falls), with the off season being May through October.

2.2 Market Share

North Americans have continued to dominate Belize's tourist market with their share ranging from 50%-70% of bona-fide tourists over the years. According to hoteliers, the North Americans come mainly from the west and mid-west states of Colorado, Texas and California, and from Illinois and Minnesota. Increased marketing has resulted in a steady increase in European visitors, especially since the second half of the 1980s. Of those surveyed in the 1986 visitor expenditure survey¹⁰, 74.2% were North Americans, 11.4% Canadians, 5.5% Europeans and 4% were from Central America. In the 1992 survey⁹, 69.2% of those surveyed were North Americans, 7.9% Canadians, and 15.7% Europeans.

¹⁰. Belize Visitor Expenditure and Motivation Survey, Winter 1986

⁹. Central Bank of Belize 1992 Winter Tourist Expenditure Survey

2.3 Length of Stay

Based on the information available from the surveys, the average length of stay for tourists during the winter season is some 11 nights, with the Europeans and Canadians reporting longer stays than the North Americans.(Table 2). Tourists in the country on business now report longer stays (10.54 nights) than vacation tourists (9.99 nights)¹⁰. Those visitors in the country for "other" reasons are mainly students on educational visits to the various archeological and conservation sites. Non-packaged tourists reported longer stays (10.9 nights) than the tourists on all-inclusive packages (8.88 nights). Surveys for the summer period have not yet been undertaken. The BTB and the Belize Tourism Industry Association (BTIA) estimate the year round average length of stay to be some 7 nights.

2.4 Cruise Ship Passengers

Cruise ships have been visiting Belizean waters for over 15 years. However, it was not until 1989 that serious attention was given to their operations. In 1988/89 Ocean Quest International, which operates 2 dive ships out of Florida, was given a "carte blanche" permit to dive in Belizean waters. Local fishermen, tour operators and environmentalists annoyed at the decision, mounted a flotilla to protest the presence of the ships. This drew attention to the fact that there was no clear policy in place regarding the

¹⁰. Since the mid to late 1980s a significant number of the business visitors have been those with established businesses in the country as compared to the earlier years when they were primarily in the country attending meetings and conferences.

Table 2: Average Length of Stay
Winter Tourists

Country of Residence	No. of Nights	
	1992	1986
USA	9.85	10.30
UK	16.16	13.78
Other Europe	7.95	8.14
Canada	16.40	15.35
Caribbean	27.00	
South America	10.57	
Central America		8.55
Other	8.84	8.36
Purpose of Visit		
Vacation	9.99	10.58
Business	10.54	8.98
Other	15.85	
Travel Arrangements		
Packaged	8.91	8.88
Non-packaged	11.76	10.90
OVERALL	10.65	10.63

Sources: CTRC, Belize Visitor Expenditure and Motivation Survey, Winter 1986
CBB, Report on the 1991/92 Winter Tourist Expenditure Survey

operations of cruise ships in Belizean waters. Government promised to put permanent buoys in strategic places to protect the reef, and steps were to be taken to ensure participation by local divers as guides, and they were expected to monitor the activities of the foreign divers, particularly along the reef. There has been a rise in the number of cruise ships visiting, with the number of passengers averaging 200 per visit. Despite increasing requests from cruise lines to operate in Belizean waters, this aspect of the tourism industry appears to be getting very little encouragement at the moment.

2.5 Hotel Sector Developments

2.5.0 Capacity

The developments in the hotel sector have patterned the growth in tourist arrivals. Moderate increase in accommodation facilities in the 1970s was followed by a slowdown during the crisis years of the 1980s, after which the increased pressure for accommodation facilities coupled with the spirit of optimism regarding the industry's potential, contributed to an expansion in hotel capacity. From 56 at the end of 1972, the number of hotels countrywide more than doubled to 115 at the end of 1979 registering average annual growth rate of 11.2%. Despite this increase however, there was pressure on the industry as the supply constraint still existed. Between 1980 and 1985, the contraction in domestic as well as international economic activity impacted on

the expansion in accommodation facilities, reducing the average rate of growth to 4.3%. With the economic turnaround, the rate picked up to 9.3% with the numbers of hotels reaching 271 at the end of 1992 (Table 3).

The number of rooms available at the end of 1972 stood at 525 and by 1992 had quadrupled to 2,913 (Table 4). After registering average annual growth rate of 11.1% from 1972-79, the rate slowed to a modest 4.3% from 1980 to 1985 before rising to 12% from 1986 to 1992. Between 1990 and 1991, room capacity rose a substantial 31.6% after a decline of 2.4% from 1989 to 1990. The number of beds available rose from 972 at the end of 1972 to 4,991 at the end of 1992 (Table 5), recording a fast 12.7% growth rate 1986-92.

The accommodation facilities are concentrated in four main areas - Belize District, Ambergris Caye, Cayo District and Caye Caulker, which together accounted for 75% of room capacity in 1992. Belize District accounted for 19.6% of the hotels and 28.5% of the available rooms at the end of 1992, as compared with 39.5% of the hotels and 42.9% of the rooms at the end of 1980. This area recorded an average annual growth rate of 7.4% in room capacity over the 1972-92 period, with the 1986-1992 period recording the fastest annual growth rate of 12.6%. With the completion of the Ramada Royal Reef (120 rooms) and Belize Biltmore Plaza (90 rooms) hotels and the expansion to the Radisson Fort George (30 rooms) and the then Holiday Day Inn Villa hotels (30 rooms), there were 813

rooms in the Belize District at the end of 1991, a substantial 52.8% increase over 1990. Ambergris Caye, the hub of Belize's tourism, accounted for 18.8% of the hotels and 24.7% of rooms available in 1992. Particularly since 1987/88, there have been marked increase in capacity in Punta Gorda, Dangriga, Placencia and Orange Walk. The focus on eco-tourism has been the main factor contributing to the recent expansion that has been taking place particularly in the southern and western districts.

Historically, the vacation tourists have stayed on the cayes or in the rural areas, while the hotels in the Belize District have catered primarily to the business tourists. Some Belize City hotels have indicated that some 60% of their guests are business tourists. In order to meet the growing needs of those tourists who stay on the cayes but wish to visit the inland attractions, and as part of the drive to promote eco-tourism, a number of hotels on the cayes have been offering trips to the inland attractions with stop-over in the Belize and Cayo districts, as part of the package.

At present, the overall room stock is considered sufficient to meet existing demand. While areas like Belize City, Ambergris Caye, Cayo and Caye Caulker might be facing capacity constraints, additional rooms may be needed in the southern districts.

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Ambergris Caye	10	12	12	13	14	16	19	21	25	33	32
Belize District	18	21	21	28	28	28	31	44	47	45	42
Caye Caulker	1	4	4	7	9	8	9	14	12	12	15
Cayo District	3	1	5	3	9	4	7	6	8	14	15
Corozal	6	6	5	5	5	4	4	5	4	6	6
Dangriga	5	3	3	3	3	4	4	3	5	7	7
Orange Walk	4	3	2	3	4	4	2	2	2	6	5
Placencia	2	2	2	3	4	4	3	5	5	5	5
Punta Gorda	3	3	3	3	3	3	4	4	6	5	4
Other Cayes	4	3	3	3	3	3	4	4	6	5	4
TOTAL	56	58	61	71	82	81	92	115	119	140	138

Table 4. Number of

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Ambergris Caye	73	82	111	124	127	142	155	178	197	269	260
Belize District	222	252	271	391	342	338	366	476	504	520	535
Caye Caulker	8	8	14	29	46	43	47	102	108	110	131
Cayo District	19	25	35	23	66	57	59	87	86	105	120
Corozal	42	41	41	46	47	44	57	61	61	92	89
Dangriga	22	24	27	32	43	40	46	43	56	67	65
Orange Walk	34	31	31	35	35	40	40	32	49	33	31
Placencia	13	13	11	13	23	23	11	11	33	35	33
Punta Gorda	26	27	25	25	23	23	21	29	71	64	60
Other Cayes	66	60	52	41	46	46	52	57	71	64	60
TOTAL	525	563	618	759	798	799	854	1,076	1,176	1,352	1,377

Table 5. Number of

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Ambergris Caye	149	164	240	265	273	311	344	401	421	529	548
Belize City	422	486	496	630	603	595	630	759	796	772	767
Caye Caulker	16	16	16	50	60	63	78	152	160	158	193
Cayo District	37	44	57	37	116	98	107	153	140	177	212
Corozal	59	44	67	72	70	67	85	94	108	139	139
Dangriga	48	41	56	58	72	72	77	84	81	95	94
Orange Walk	58	41	48	48	48	53	56	46	64	86	82
Placencia	28	28	40	40	42	42	24	24	26	47	44
Punta Gorda	39	38	40	38	30	38	36	44	58	56	56
Other Cayes	116	114	108	82	82	82	87	94	114	106	99
TOTAL	972	1,019	1,168	1,320	1,396	1,421	1,524	1,851	1,968	2,165	2,234

Sources: Belize Tourist Board
CSO, Abstract of Statistics (various issues)

2.5.1 Size

The major characteristic of the hotel sector in Belize is the relative small size of the hotels, with some 70% of them having 10 rooms or less. There are only 6 hotels countrywide with 40 or more rooms. Four are in Belize City (Ramada 120, Biltmore Plaza 90, Radisson Fort George 76, and Holiday Inn Villa 42), and 2 in Ambergris Caye (Journey's End 70, and Belize Yatch Club 52). The predominance of small-sized hotels has been attributed mainly to the low tourist traffic initially, and the difficulties experienced by Belizean investors in securing equity financing for medium to large scale investments.

A cautious approach has also been taken to the establishment of large hotels. It has been strongly advocated in recent times, that the facilities constructed should be suitable to the areas in which they operate, in terms of size and ecological integration. The over-riding concern has been the likely impact of large scale developments on the environment, infrastructure, social structure and culture of the areas. Small size operations have been know to provide rather informal, personalized attention, and do not require the elaborate administrative personnel of large establishments. A significant number of hotels began as small family run operations and are still largely owned and operated by Belizean families.

2.5.2 Type

There has been a notable change in the type of accommodation facilities available. The industry has always had a fair mix of hotels, guest houses and motels, but the number of luxury type cabanas and resorts have been increasing, with the cabanas being most prevalent inland. Also noteworthy is the growing numbers of condominiums and apartments, especially on Ambergris Caye. At least 140 (19.5%) of the rooms available on Ambergris Caye are self contained apartments and condos. Some 60% of them is owned by individuals and the rest by enterprises, mainly foreigners. The units as well as common areas like reception, lounge and sporting facilities are managed and maintained on behalf of the clients. There is a growing concern among hoteliers on Ambergris Caye about the number of private homes that are offering tourists "homely" vacations.

2.5.3. Quality/Price

A major problem of the hotel sector has been the variation in standards. Indications are that some 60% of the hotels meet acceptable standard but only about 20% meet minimum international standard. This has meant that over the years, with the increasing need for accommodation facilities, a growing number of tourists have been forced to use sub-standard facilities. The BTB has a list of standards that hotels are required to maintain, however shortages of manpower and finance over the years have thwarted efforts to ensure adherence.

The low standard of so many of the facilities also raises the issue of quality versus price. Belize has been viewed by many as an high price destination when compared with other regional destinations.

The prices for the various facilities and services offered range from "budget" US\$1-\$25, to "moderate" US\$26-\$50 and "expensive" US\$50+¹¹. According to the BTB, in 1992 the average room rate was highest on San Pedro, Ambergris Caye (US\$60.50) followed by Placencia (US\$50) and Belize District (US\$40). In addition to the rack rates, the more established hotels offer corporate and wholesalers rates, and some offer the Belize dollar equivalent of the rack rates to Belizean residents. In recent years, a limited number of hotels have been engaging in rate reductions during the off season.

Although there is a long list of facilities and services offered by the hotel sector, only a small percentage are provided by the majority of hotels. Most of the hotels on Ambergris Caye and the larger and more established one in the other areas offer most of the facilities. Except in San Pedro and Belize City, opportunities for shopping are limited, as is the provision of cultural activity.

¹¹. BTB, Belize The Adventure Coast: Undiscovered and Unspoilt 1993 Vacation Planner

2.5.4 Occupancy Level

During the 1970s, year round occupancy levels reportedly averaged 75%-85%, but such levels tended to reflect the supply constraints rather than the implicit demand for particular hotels. At present, occupancy levels average 60%-80% during the winter season and fall to 35%-40% in the off season. Occupancy levels are highest on Ambergris Caye, in Cayo, Belize City and Placencia. To try and increased its occupancy level, the Ramada hotel has been engaging in seasonal charters from Winnipeg, Canada with stop-over in Cancun, and direct from Toronto. Some hotels have reported year tround occupancy as low as 30%. Given the financing involved in the hotel sector, such low occupancy over the years should have made more businesses insolvent. The rather low occupancy levels reported by hotels sometimes reflect under-reporting by hotels in order to avoid paying the BTB the required 5% hotel occupancy tax charged each tourist. To overcome the under-reporting, the BTB is seeking funding from the OAS for the implementation of a common accounting system among hotels. The number of hotel inspectors have also been increased.

2.6 Marketing and Promotion

Over the years, the marketing and promotion of the industry has been undertaken primarily by the private sector. For the most part, such promotion and marketing are being done through travel agencies, travel shows, magazines and brochures. The larger and more established hotels have been able to take their promotional

activities to US television game shows, dive magazines, the Discovery Channel and travel wholesalers. Those affiliated with international hotel chains have also benefitted from corporate marketing. As an eco-tourism destination, Belize has gained additional exposure from the documentaries and numerous articles prepared by special interest groups and individuals.

Traditionally, Belize's main competitors have been those in the dive market - the Cayman Islands, Bonaire, Netherlands Antilles, Cozumel in Mexico and Roatan in Honduras. Since 1989, with the focus on eco-tourism, Costa Rica and Guatemala have joined the list of competitors. There is also Cancun, which although it caters to sun vacation tourists, has always been a formidable competitor.

Belize has long been promoted as an up-market destination for special interest groups. The USA, Canada and more recently, Europe have been the target markets. Within the last three years, driven initially by increased arrivals and then by the decline in tourist arrivals in 1991, more aggressive marketing and promotional activities have been pursued. Because of its potential, there has been increased promotional activities in the European market, particularly in Italy, France and Germany. The absence of direct flights between Belize and Europe has been an inhibiting factor, so the industry is actively pursuing overseas wholesalers and travel agencies to incorporate Belize as an extension of the Central American tour for Europeans.

The San Pedro International Sea and Air Festival which was launched in July 1992 is planned as an annual event and is expected to increase arrivals during the low summer period. The Central and South Americans markets are also been targeted, particular for the off season. Other potential market segments that are being explored by hoteliers include retired persons from the Florida area, and for the summer season, youths in high schools and colleges in the USA and Canada.

The marketing and promotional efforts of both the public and private sectors have been hampered by lack of finance, organization and technical expertise. Marketing by the private sector has been undertaken by individual hotels and not as a collective effort which might have helped to reduce the cost. A few hoteliers in San Pedro have gotten together and have been advertising as a group. To reap the benefits of marketing, it is felt that at least 5% of total revenue should be allotted for advertising. Although a few hotels reportedly allocate as much as 20% of their budget to advertising, the vast majority cannot afford 5%. In fact, most of the small family run hotels lack the resources for any kind of marketing.

The marketing of Belize as one destination has been regarded as the responsibility of the public sector. Up until the late 1980s, the activities of the BTB were subdued due mainly to the low emphasis given tourism and the shortage of qualified persons to undertake

the tasks. In addition, up until 1990, the BTB was a department in the Ministry of Tourism with a small budget for marketing and administration. However, over the last two years, with the revenue from the hotel occupancy tax, the Board has been spending one-third of its revenue on marketing and promotion and steps are being taken to actively market Belize as a destination to compliment the efforts of the hoteliers. Belize is also being promoted through a regional campaign organized by the Caribbean Tourism Organization and the Caribbean Hotel Association to market the region as one yet diverse destination.

In January 1993, the BTB established a marketing and promotional unit, and in April, launched its action plan **Tourism Towards 2000** which, among other things, sets out its marketing plan for the next several years. Including in this are plans to develop a logo for the industry, conduct co-operative advertising, undertake aggressive public relations campaign, appoint a representative in Italy, formalize the arrangement with the representative in Germany, and establish a marketing advisory committee to assist the Board in formulating policies and plans.

A number of private sector personnel have expressed concerns that the present thrust of the BTB's marketing and promotion is not reaching the right market. They argue that there has been "pressure" selling in the north-east and eastern states of the USA, which for the most part are not the special interest markets. It

is felt that the kind of marketing being undertaken is putting Belize into the mainstream market in direct competition with destinations like Jamaica, Barbados, the Bahamas and Cancun. While they have no problem with the concentration of promotional activities in the USA, they would like to see more marketing in the states with the special interest groups, as well as in Japan and Europe.

2.7 Institutional Support

2.7.0 Belize Tourist Board (BTB)

The BTB is responsible for the marketing, promotion, planning, and monitoring of tourism, undertaking policy development as well as research and training. Up until April 1990, the BTB was a department in the Ministry of Tourism - the Belize Tourist Bureau - with a budget of \$100,000. Since then it became a statutory body with its current budget being financed by revenue generated from the 5% occupancy tax collected from hotels. For FY1990/91 tax collected totalled \$1.2 mn, in FY1991/93 \$1.3 mn and by FY1992/93 \$2.0 mn. At present, two-third of such funds goes towards administration and the other third to marketing and promotion. The emphasis on administration has been necessary in order to improve the coverage and efficiency of tax collection. The BTB presently employs 18 persons, most of whom are support staff. In February 1993, a deputy director with responsibility for marketing and promotion and a public relations officer were employed. The BTB

has overseas offices in New York and Cancun and representation in Germany¹². Activities at the Cancun office have not picked up as anticipated and there are plans to close this office and open one in Milan, Italy. The Commonwealth Secretariat and USAID provide the BTB with financial and technical assistance.

2.7.1 Belize Tourism Industry Association (BTIA)

The BTIA, which was formed in 1989, is a private sector lobbying organization whose role and functions includes: marketing and promoting the businesses of members through travel shows; providing information to members through its monthly newsletter; providing the vehicle for hospitality training; and facilitating the links between members and the regional and international organizations. The BTIA has a membership of over 300, comprising individuals and enterprises from hotels, airlines, travel agencies, tour operators, tour guides, restaurants, gift shops, travel wholesalers, taxi operators, artisans, as well as allied members from retail stores and insurance companies. Financing for the organization comes from USAID and from membership fees. Consultants are now looking at options for income generation as funding from USAID ceases in 1996.

2.7.2 Ministry of Tourism and the Environment (MoTE)

The MoTE was established as a full-fledged Ministry in 1989 and has overall responsibilities for all aspects of the tourism industry,

¹². Tourism information services are provided through Belize's consular representative in Stuttgart Germany.

environment and archeology. The functions of the MoTE involve the co-ordination, implementation and administration of the policies of the government on tourism, archeology and environment; the development and enforcement of legislation and regulations relating to the industry; and monitoring the physical and cultural environment.

2.7.3 Belize Hotel Association (BHA)

The BHA was established in 1990 and comprises members of the accommodation sector. It grew out of a strong sentiment among some hoteliers at that time that their needs were not been met by the BTIA. The association has been dormant for the past two years but was reactivated in April 1993 and an executive elected. It aims to provide a forum for the professional and profitable development of the hotel sector; to foster international competitiveness through training and education; and assist members to effectively market the industry and disseminate information.

2.8 Supporting Infrastructure

2.8.0 Aviation Facilities

The PSW Goldson International airport, a very important asset to the tourism industry, was completed in 1990 at the cost of \$33.7 mn. The project was funded by the Caribbean Development Bank (CDB), the Organization of Petroleum Exporting Co., the UK, and the

Government of Belize. It involved the construction of a new terminal building and the expansion of the apron and runway. Further expansion of the apron is currently underway.

Operations at the international airport are managed, since 1990, by the Belize Airport Authority (BAA)¹³. Fire-fighting, security, maintenance and janitorial services are the direct responsibility of the BAA. Other services and facilities are provided through concessions, lease and contracts to airlines, duty-free shops, porters, taxi operators, and refueling companies.

International airline services are provided by TACA and Sahsa which operate daily flights to and from the USA, El Salvador and Honduras; American and Continental airlines with daily flights to the USA; Aerovias, with daily flights to Guatemala and Aviateca which flies twice per week also to Guatemala and to Mexico; and Bonanza which provides services between Belize and Mexico City twice per week.

There are 18 municipal airstrips countrywide, 13 of which are government owned. In November 1991, upgrading work was undertaken at the Belize City municipal airport to accommodate the increased traffic and to meet international standards. Domestic traffic is regulated by the Civil Aviation Department at present is monitored from the control tower at the international airport. A tower is

¹³. Prior to that it was the responsibility of the Civil Aviation Department.

being proposed for installment at the Sibun site in the Mountain Pine Ridge area which will enable communication between airstrips and with the control tower. Presently, domestic services are provided by 38 registered aircrafts, operated by 6 companies.

In February 1993, an air transportation sector master plan prepared by the British Airport Authority was submitted to the Ministry of Energy and Communication and the BAA. The terms of reference included a review of the adequacy and status of existing government owned airfields with a view to develop these facilities; preparation of a phased plan for the development of a new airport on Ambergris Caye; and determination of the least cost means of improving domestic air traffic facilities.

2.8.1 Ancillary Services

Inadequate funds and lack of organization have hampered the development of the ancillary sector over the years. The sector faces problems of untrained personnel, sub-standard equipment and lack of financing. Only within the last 2 years have there been moves among various groups to organize themselves to try and improve standards and to increase efficiency and reliability.

There are over 65 tour operators and ground handlers in operation. As part of the move to improve the quality of service provided, a tour guides association was formed in 1992 and legislation passed

to standardize their activities. This sub-sector will benefit from the training plans of the BTB and the BTIA.

The number of travel agencies countrywide exceed 20, with most of them situated in Belize City and San Pedro. Their activities have tended to concentrate mainly on outgoing passengers. In recent years a number of these agencies have found it necessary to install computers which link them internationally. As a result, they have been able to benefit from increased incoming bookings, including the handling and selling of tours and hotel accommodations.

The organization and promotion of handicraft activities countrywide have been entrusted to the private sector through the Belize Chamber of Commerce and Industry (BCCI). Since 1992 a handicraft center has been established in the Fort George area of Belize City as part of the government's national handicraft project, which is funded by USAID. At present, the center purchases goods or accepts them on consignment from over 250 artisans. Plans are to establish branches throughout the country as well as a workshop at the Belize City site where artisans will produce their goods and be able to make direct sales to the tourists. The BCCI is also looking at the direct exportation of handicrafts, and through its seminars and workshops, has been making suggestions on quality control, costing and marketing.

There are plans to establish a tourism district in the Fort George area. This is to be undertaken as part of the World Bank's infrastructural project.

2.8.2 Telecommunications

The Belize Telecommunications Ltd. provides international direct dialing to almost all destinations worldwide through SPRINT and ATnT networks. Efforts to link rural villages to the urban centers and to the international community have been underway.

2.8.3 Utilities

Generally, the supply of water is sufficiently adequate, placing no serious strain on the tourism industry. Expansion in the urban areas has resulted in low water supply, especially in the dry season, however the problem is to be addressed under the water and sewerage expansion project funded by the CIDA. For quite a number of years, San Pedro has faced problems with the quality of water and the disposal of solid waste. Progress was made in 1991 when a reverse osmosis plant valued at \$19.2 mn, funded by the CDB, was completed. Other plans to deal with the problems are included in the Ambergris Caye master plan which has recently been approved by the government.

Electricity is costly but the supply is fairly reliable. A number of rural areas now have electricity under government's rural electrification project and work has begun on the hydro-

electricity project in the Vaca Falls area of the Cayo District. This should help to reduce the cost of electricity and to improve the reliability of the service.

2.8.4 Health Services

The constraints faced in the health sector often depends on ones location. While the supply of public and private health service is fairly adequate in Belize City and construction of a new hospital funded by the EEC has began, some rural areas have limited services. In the hub of the tourism activities - San Pedro, there is no public health clinic. Limited health service is provided through the Lion's Club, with the government contributing to the cost of accommodation for one of the medical personnel. The San Pedro Town Board and the Lion's Club bear all other costs. There are concerns as to the prospects for the immediate future as the Lion's Club is likely to scale down its present operation. Divers who run into problems can benefit from a privately run clinic that operates a hyberbarec chamber.

2.8.5. Roads

There have been major improvements to most of the main roadways countrywide. Access roads to the principal tourist sites - ruins, caves, reserves - have been upgraded.

2.8.6. Security

Although there have not been many reports of crime against and/or harassment of tourists, there has been increased police presence on the streets countrywide. The San Pedro Town Board has gone a step further to ensure the safety of tourists by employing special constables to patrol the streets along with the police.

2.9 Automation and Integration

Given the need to be competitive and the technological changes that have been taking place, automation has become an important aspect of the integration process in the tourism industry. More and more travel agencies, tour operators and hotels have been computerizing their operations. Not only does this ensure quicker service and greater efficiency, it places these entities in direct contact with each other as well as with the international community. In addition, automation ensures greater and more direct control over the operations, a large part of which are currently being handled by overseas wholesalers.

3. MACROECONOMIC IMPACT

3.0 Recent Economic Developments

After recording average annual growth rate of 11.2% between 1988-90, the economy moved towards more moderate growth levels in the last two years, expanding by 4.1% and 5.1% in 1991 and 1992, resp. The impetus for economic expansion has been provided by increased levels of investment in export agriculture - boosted by the recovery of export prices, in public infrastructure and utility, and in hotel construction and residential housing. The expansion has been facilitated by growth in the labour force due to increases in migrant labour. Despite the growth in aggregate demand, consumer price inflation has been moderate. After averaging 2.6% from 1988-90, inflation rose to 5.6% in 1991 but by 1992 was down to 2.8%, mainly reflecting declining inflation in the economies of Belize's main trading partners.

3.0.1 Agriculture

Growth in the agriculture sector has been due to increase production of citrus, banana and to a lesser extent, sugar and marine products. There has been marked increase in sugar production since 1989/90, reaching a high of 1.1 mn long tons in the last two crop years. The increase was due initially to the rehabilitation efforts of Belize Sugar Industry's (BSI) Sugar Extension and Technical Support Service, as well as technical and managerial assistance and credit provided for land preparation.

Except during the 1990/91 season, the weather has been favourable for cane production. Since the beginning of the 1992/93 season, the Belize Cane Farmers Association has implemented a control delivery system to improve the purity of the cane delivered. Exports have been severely affected by cuts in the US quota and lower world market prices. The value of exports which reached \$85.6 mn in 1990 fell to \$75.2 mn in 1992.

Citrus production rose from 2.2 mn boxes in 1987/88 to 2.8 mn boxes in 1989/90. Unfavourable weather conditions in 1990/91 resulted in a 28.6% decline in production but by 1991/92 it increased to 3.6 mn boxes due to favourable weather and the maturation of new groves. Encouraged by rising international prices for citrus concentrate in the 1980s, there was a marked increase in investment in the citrus industry, particularly in the western Cayo areas. Since 1991, prices have been falling due to excess supply by the large producers - Brazil and Florida. After increasing to \$43.1 mn in 1990, the value of concentrate exported fell sharply to \$21.6 mn in 1991 and by 1992 had risen to \$54.3 mn.

After reaching the 2.0 mn boxes mark in 1989, banana production declined to 1.5 mn boxes in 1990. This has been attributed to cold weather, an outbreak of the black sigatoka disease and the lack of irrigation system on some farms which made them vulnerable to extremely dry weather experienced. The industry, which was privatized in 1991, has received financial and technical assistance

from Fyffes Ltd. At the end of 1992, production rose marginally to 1.8 mn boxes. The value of banana exported fell from \$23.1 mn in 1989 to \$14.9 mn in 1990 but recovered to reached \$20.5 mn at the end of 1992.

3.0.2 Construction

Over the last five years, construction activity has been driven by large public sector infrastructural projects, hotel construction and more recently, residential construction. Construction activity increased from \$33.8 mn in 1988 to \$64.3 mn or 8.3% of GDP in 1992.

3.0.3 Tourism

Despite strong competition from other Caribbean destinations and Cancun, Belize's tourist industry witnessed strong growth during the late 1980s with arrivals by bonafide tourists reaching a high of 164,444 in 1990. Growth averaged 26.4% annually between 1987-1989. Factors contributing to the increase included the economic prosperity of the industrialized countries in the second half of the 1980s, the increasing demand for eco-tourism as the world became more environmentally conscious and the increased marketing and promotion of the industry. During 1991, the industry was severely affected by the Persian Gulf crisis and the international recession, resulting in a 5.2% decline in bonafide tourist arrivals. Arrivals were up 5.0% in 1992 and indications are that 1993 will be better than the previous two years as a result of renewed optimism in the USA following the presidential election in

November 1992, the easing of the recession in the developed world as well as extremely harsh winter conditions in certain areas of the USA.

3.0.4 Monetary Developments

The dominant feature of the financial system in recent years has been the expansion in domestic credit. Net credit by the banking system rose from \$239.2 mn at the end of 1988 to \$426.9 mn at the end of 1992. Credit to the private sector increased from \$202.4 mn to \$380.8 mn, with most of it being utilized by the agriculture, tourism, construction and distribution sectors. Deposits growth, by both the private and public sectors, has slowed in the last two years and is attributable mainly to investment in infrastructure, housing, agriculture and tourism. Reflecting the strong performance of agricultural exports and tourism as well as net capital inflows, the net foreign asset of the banking system rose from \$87.0 mn at the end of 1988 to \$154.6 mn at the end of 1990. The fall in export earnings coupled with higher imports by both the public and private sectors in 1991, and increased borrowing from abroad by the commercial banks in 1992 resulted in a fall in the net foreign assets to \$93.2 mn at the end of 1992. In order to reduce the pressure of excess liquidity on the foreign reserves, the Central Bank raised the commercial banks' reserves requirements in October 1992.

3.0.5 Public Finance

The financial position of Central Government has deteriorated in the last two fiscal years (FY) with overall deficit of \$36.9 mn and \$44.0 mn in FY1991/92 and FY1992/93 being recorded. Although the current operations remain in surplus, it has been declining. Current revenue rose from \$184.2 mn in FY1989/90 to \$245.9 mn in FY1992/93, representing average annual growth rate of 10.2%. The growth mainly reflected increased revenue from income and profits and non-tax revenue. The growth in revenue from international trade has slowed from 7% in FY1991/92 to 3.2% in FY1992/93 and is attributable mainly to the implementation of the Common External Tariff in November 1991 which abolishes import duties on goods from CARICOM. Current expenditure which grew at an average annual rate of 13.7%, expanded from \$127 mn in FY1989/90 to \$186.2 mn in FY1992/93 due mainly to increased expenditure for wages and salaries and goods and services. While there has been a marked increase in locally funded capital expenditure, that funded from external sources has declined.

The stock of public and publicly guaranteed debt increased from \$248.3 mn at the end of 1988 to \$288.3 mn at the end of 1992.

3.0.6 Trade and Payments

Between 1988 and 1990, Belize's balance of payments recorded overall surpluses averaging US\$14.3 mn annually. In 1991 an overall deficit of US\$20.8 mn was recorded, and reflected a deterioration

in the current account due to lower earnings from agricultural exports and tourism, and lower net capital inflows resulting from a reduction in direct foreign investment following the completion of several large projects. Despite a widening of the current account deficit, an overall surplus of US\$1.4 mn was recorded in 1992. The worsening current account deficit reflected a widening of the trade deficit as a US\$16.5 mn increase in exports was offset by a US\$19.5 mn increase in imports, as well as reduced net inflows from services. The latter reflected increased payments on direct investment and lower interest income on foreign holdings following the decline in international interest rates which offset the increase in earnings from tourism. Import coverage at the end of 1992 was 2.6 months as compared with 4.1 months at the end of 1990.

3.1 Employment and Training

The BTB has reported employment by hotels of 1,560 persons in 1991 and 1,575 in 1992. Some 58% of the employees are female and 9% are foreigners. Hoteliers have indicated that the average number of persons employed range from 0.5 person per room in the low season to 1.1 persons in the high season. Labour is reportedly available and trainable, however the cost and the rate of turnover are high and productivity tends to be low. Lack of training at all levels has been a major factor contributing to low productivity. Trained employees often move on to higher paying jobs within the industry or to start their own businesses. Hoteliers have found it necessary to maintain the same level of

staffing during the low season so as not to lose trained staff. Basic wages in the tourism industry are low in comparison to other industries but the industry has been able to lure labour from other sectors. In addition to service charges, tips and "other unseens" employees earn, they receive other fringe benefits such as meals on duty and uniforms. A few of the larger hotels also offer health programmes and providence funds.

The number of persons who depend on tourism, whether directly or indirectly, is several times greater than the number of employees in the hotel sector. These include divers, tour guides, tour operators, taxi drivers, airline workers, bar and restaurant workers, gift shop workers, and those in the public sector. Total employment by the industry is felt to be 2-4 times more than employment by the hotel sector.

The absence of any tourism educational institution in the country has meant that training has been a major problem in the industry. Training has primarily been in the form of on-the-job training and in-house seminars, utilizing experienced personnel locally and/or foreign consultants for those with international connections and others who can afford it. The more established hotels have sent personnel overseas for short term training. BTIA has been a vehicle for hospitality training for various activities and at various levels, and the BTB has been engaging in workshops and seminars. In addition, the Center for Employment and Training now

offers six-month courses in catering and hospitality management, and the Belize Institute of Management (BIM) facilitates training by providing relevant videotapes.

To meet the training needs of the industry, the Belize Institute of Tourism and the Environment is to be established. A committee comprising representatives from the BTB, BTIA, BIM, and the University College of Belize has been formed. The committee is responsible for the prioritization of the training needs of the industry, preparation of a curriculum and for providing certification. The BTB has proposed that the industry meet the cost of training through an increase in the hotel occupancy tax charged each tourist from 5% to 8%. Of this 2% will be allocated for training¹⁴.

3.2 FINANCING

3.2.0 Forms of Financing

One thing that is unanimous among persons in the industry is that the unavailability of affordable finance is a major obstacle to development. Primarily because operations have been small, the main source of funds for initial investment has been investors own private funds, whether it be local or foreign investors. Entrepreneurs who are able to meet the requirements have gotten funding from the DFC and from the commercial banks. Foreign

¹⁴. 4% will go to BTB administrative cost and the other 2% to marketing and promotion.

investment has been a major source of financing for the industry, since the unavailability of affordable funds has meant that local investors have been unable to meet the opportunities for investment. A significant portion of the equity capital for the larger hotels has come from foreign shareholders, with the shares of one hotel being listed on the US stock market. The extent of foreign investment in the industry has increased over the years, with the scope broadening to cover accommodation facilities as well as dive shops, gift shops and tour operations. Foreign financing has also come from regional and international institutions. With the rise in the number of apartments and condominiums in the industry, individual ownership of units has become a new source of financing. However, this new form of financing has served to increase foreign ownership in the industry since Belizean investors are unable to find the necessary capital for such investments.

3.2.1. Fiscal Incentives and Investment

For those investing in tourism, the fiscal incentive package offered include corporate tax holiday of up to 15 years and/or duty exemptions on construction materials and supplies to be used for construction; on fittings, fixtures, appliances and tools; plant machinery and vehicles used in the operation.

It is a widely held notion that fiscal incentives are ineffective and inefficient in attracting investment. In Belize's case, investors in tourism seem to be attracted to the stable macro-

economic and political climate and the market strength rather than the incentives. Investors have indicated a preference for cost reducing incentives like duty exemption because of its immediate effect of reducing the cost of production.

Between June 1961 and March 1993, the Ministry of Economic Development granted 113 development concessions for tourism related activities, mainly for construction and expansion of accommodation facilities. Of these, 49 (43.4%) went to foreigners, 44 (38.9%) to Belizean entrepreneurs and 20 (17.7%) were joint ventures. While only 18 concessions were granted to Belizeans for tourism between 1961 and 1988, as many as 27 were granted in the last five years. In the 1960s and 1970s foreign investors granted concessions for tourism related activities were mainly from the UK. Since then however, the North Americans have dominated. Table 6 outlines the estimated investment in the hotel sector since 1989 by companies with development concessions.

3.2.2 Multinational Corporations (MNCs)

For the most part, foreign investment has been undertaken by individuals and small enterprises. Since the late 1980s, there has been the involvement of MNCs in the hotel sector. These MNCs have brought relatively little investment because of the nature of their involvement. Holiday Inn, Ramada, Radisson and Biltmore are the four hotel chains that have been involved locally. The Holiday Inn and the Radisson have had only franchise involvement with Fort

George and the former Villa hotels¹⁵; the Ramada's involvement has been management contract while the Biltmore has part ownership in two hotels, the Belize Biltmore Plaza and the recently acquired Sunbreeze hotel in San Pedro. Franchise and management contracts do not carry the commitment of providing equity financing and/or working capital which comes with ownership of an hotel.

3.2.3 Public Sector Investment

Investment in the tourism industry by the public sector have mainly been through the provision and upgrading of infrastructure, and by providing incentives. To date there have only been two instances where the government has been directly involved in the ownership of hotels. In September 1981, the government borrowed \$1.5 mn from the CDB for the construction of the Belmopan Convention Hotel. The Reconstruction and Development Corporation, a statutory body, managed the hotel on behalf of the government up until March 1993 when it was sold to a private entity. In 1988, the government purchased 30,000 shares valued at \$300,000 in the Ramada hotel. This was considered an important gesture as it served to instill confidence and to attract additional investment in the largest hotel ever built in the country.

¹⁵. In 1993, the Villa was sold to the owner of the Radisson Fort Gorge.

**Table 6: Actual Investment by Companies/Individuals
With Development Concessions**

	Company Investment	Shareholders Investment	Loan Equity Investment	TOTAL
1989	2,902,068	3,516,178	5,644,103	12,062,349
1990	2,842,540	2,649,320	8,520,840	14,012,700
1991	2,175,378	6,860,102	15,482,559	24,518,039
1992	1,319,730	1,056,411	4,475,244	6,851,385
TOTAL	9,239,716	14,082,011	34,122,746	57,444,473

Source: Ministry of Economic Development

3.2.4 Role of the Development Finance Corporation (DFC)

DFC has been an important source of funding, especially for the small and medium sized enterprises in the industry. DFC provides loans ranging from a minimum of \$6,000 to a maximum of \$1.5 mn for the establishment, upgrading and expansion of all tourism related activities. To qualify for a loan, the applicant will have to furnish a project appraisal which should indicate projected occupancy levels and potential markets; contribution of 30%-50% of the project cost; and audited financial statements - both historical and projected. Financing is available to Belizeans, non-Belizeans with resident status, and to those individuals or companies in the country for over 5 years. Companies with foreign shareholders can obtain financing provided Belizeans have at least 51% ownership in the company. DFC's loans are available for up to 10 years, including grace periods of 2-3 years. Depending on the financial viability of the company, a 12-year repayment period may be granted. Interest rate is 13% on the outstanding balance.

Over the years, in addition to their own funds, DFC has been able to source funding from the World Bank (IBRD), the European Investment Bank (EIB) and the CDB. IBRD funds have been available to DFC at 7% and will finance up to 85% of the project. EIB lines of credit have had stringent conditions such as the minimum amount of the investment which should not be less than \$60,000 and for new investment, 50% equity has to be produced. These conditions often

restricted the use of such funds to existing businesses. DFC accesses CDB funds at 4-8% and the terms for on-lending are much easier. The value of loans outstanding to DFC is presented in Table 7.

3.2.5. Role of the Commercial Banks

While the commercial banks have no set policy for lending to tourism, they have been providing financing mainly to those with proven track records, marketing capability and international connections. For construction and expansion of hotels, the banks will provide financing for up to 8 years, including grace period of up to 6 months. Up to 4 years ago, banks lent for 15-20 years, but only in special cases. Lending for other tourism related activities is for 2-3 years. Interest rates range from the prime rate 12% in rare cases, to 16%. Although banks have indicated that there is no limit on the amount of funds they are willing to lend, very few loans for less than \$5,000 have been approved. The banks require audited balance sheets, feasibility study, at least a mortgage as collateral, and 35%-50% of the proposed cost of the project. The banks also provide investors with working capital through overdraft facilities. Loans and advances outstanding by the tourism industry are presented in Table 8. The sharp increase in the last three years reflected large loans to a few large hotels.

Table 7: Loans Outstanding by
Development Finance Corporation

	\$'000	% of Total
1978	842	5.5
1979	1,175	7.4
1980	1,602	8.1
1981	1,900	7.9
1982	1,900	7.4
1983	2,197	7.6
1984	2,133	7.0
1985	3,269	8.7
1986	3,354	8.7
1987	2,827	7.7
1988	2,560	7.3
1989	2,670	7.4
1990	3,040	8.9
1991	3,582	10.8

Sources: CBB, Statistical Digest
DFC, Annual Report

Table 8: Outstanding Loans and Advances
by Commercial Banks

	\$'000	% of Total
1977	540	0.9
1978	543	0.8
1979	739	0.9
1980	685	0.7
1981	1,004	0.9
1982	1,442	1.1
1983	1,144	0.8
1984	1,240	0.8
1985	1,485	1.1
1986	1,583	1.2
1987	4,118	2.5
1988	5,864	2.8
1989	8,466	3.5
1990	10,686	3.8
1991	22,185	6.6
1992	21,650	5.8

Source: CBB, Statistical Digest

3.2.6. Role of Regional and International Institutions

The CDB and USAID are the regional and international institutions most involved in financing the tourism industry. The Commonwealth Development Corporation (CDC), International Finance Corporation (IFC), and Overseas Private Investment Corporation (OPIC) have financed the construction and expansion projects of a few of the larger hotels.

Financing from the CDB has been in the form of loans to the government for hotel construction and for the international airport project, and indirectly through the DFC for on-lending. CDB has also provided funding for the water and sewerage project in San Pedro. USAID has been providing funding for the BTIA since its inception and to the BTB. It has also increased its provision of technical assistance and consultancy services to the BTB, BTIA and the MoTE for work in such areas as marketing and development, public awareness, preparation of a data base system for the BTB, tourism needs assessment, and a policy planning unit for the MoTE. The industry has also benefited from technical assistance from the EEC and the Commonwealth Secretariat.

The CDC has always been involved in the financing of the Radisson Fort George hotel. CDC was the original owner of the hotel but sold it to Belize Hotels Ltd. in 1981. In 1988, CDC provided \$4.5 mn in venture capital for the expansion of the hotel. In 1990, the IFC - the private sector arm of the IBRD - provided \$2.0 mn in loan

for the expansion of facilities at Journey's End resort. The IFC has also provided financing for the recent acquisition of the Sunbreeze hotel in San Pedro. OPIC is one of the partners in the Ramada hotel and provided \$12 mn for its construction.

3.2.7. Problems with Financing

The problem with financing has never been one of a shortage of funds as the banking system has been rather liquid over the years, and DFC has had funds that were not fully utilized. It has been the unavailability of long term capital and the high cost of the funds that have limited and in some instances, prevented investment. In addition, the low profitability of the industry, the inability of entrepreneurs to meet the criteria of the lenders and poor management have made lending to the industry difficult.

It is strongly felt that the viability of tourism is being threatened by the absence of long term loans and by the high rates of interest charged. While the banks lend for up to 8 years and DFC 12 years, the payback period for hotels is 10-15 years. Within the short payback period allowed, entrepreneurs bear high interest rates ranging from 12%-16%. The banks, with short term deposits cannot afford to lend long term, more so since tourism is considered very risky investment because of the vulnerability of the industry. The equity contribution of 30%-50% is something many investors have had difficulty in providing.

For a number of small operators, the amount of funding needed at a particular time is often less than the financial institutions are prepared to lend. The result has been that many hoteliers have not been able to afford periodic repair, refurbishing and replacement of furniture and fixtures which are required in order to maintain minimum standard. DFC lends no less than \$6,000, much more than those in the ancillary sector - the artisans, the divers, tour guides, travel agencies etc, - and small hotels frequently require. Often these operations cannot meet the criteria of the lending institutions. This has been the main reason why EIB funds have not been fully utilized. Entrepreneurs have had to resort to borrowing against their shares in the credit unions or obtain funding from the National Development Foundation of Belize which provides special credit, technical assistance, business training and counselling to small businesses.

High costs faced by the industry has resulted in low profitability and this has been one of the factors that has made lending to the industry difficult. Labour accounts for a significant portion of operational costs. Other high cost factors include advertising and marketing, energy, land and construction - which has risen sharply in the last 5 years with increasing demand, and taxes - both direct and indirect. The smaller hotels tend to bear a relatively heavier tax burden since the larger and more established hotels are exempted under the terms of their development concessions.

If the hotel occupancy tax paid in to the BTB is any indication, the revenue of some hotels seem to be high, with those on Ambergris Caye reporting the highest. However, the high revenue tends to reflect the high rates charged rather than high occupancy levels. In such a situation as Belize find itself, with high operational costs and as a high price destination, there are implications not only for profitability, but also for the competitiveness of the industry. The situation is further compounded by the large number of small hotels for whom profitability will be less than the larger ones. A number of hotels have been able to balance their operations through revenue from bars, restaurants and gift shops.

As proof of financial viability, sound management and adequate marketing, the lending institutions require audited financial statements, project appraisals, and "appropriate" debt equity ratio. Since only a limited number of the small operations have kept proper financial records there is little documentation of the company's viability. Given the lack of persons trained in project designing, very often the proposals submitted to the lenders give little assurance as to the potential viability of the investment. Often it becomes the job of the lenders to undertake the necessary exercise in order to determine the risks involved. The low debt/equity ratio of some companies has also been a deterrence to lending. Frequently the bulk of the company's capital is loans extended by shareholders. Before funding can be made available such loans would have to be converted to equity.

The management ability, moreso as it pertains to small operations, has hindered lending as some of these operations do not function as a company should. In a number of cases, the owners are not paid fixed salaries and often funds which are there to ensure a steady flow for operational costs are diverted for personal use.

3.3 Government Revenue and Expenditure

Prior to 1990, the largest portion of government revenue from tourism came from the 5% hotel occupancy tax and the \$20 departure tax each tourist pays. These have been estimated at \$1.0 mn and \$1.8 mn, resp. for FY 1989/90. Such revenue now goes directly to the BTB and the BAA, resp., who are required to make contribution to the government based on their profit levels. At present, government gets revenue from the industry from hotel licenses, admission fees to the archeological sites, rents from trailer parks, corporate and property taxes, import duties and excise tax. In addition, revenue averaging some \$6,000 per visit is earned from the harbour fees and other port charges levied on cruise ships and the \$30 per diver charged cruise passengers. Government should also benefit from a proposed conservation fee of US\$20 to be levied by the Ministry of Natural Resources on foreigners visiting the conservation sites.

Government expenditure on tourism has mainly been capital expenditure on infrastructure. There are also the administrative and other costs of the MoTE

3.4 Foreign Exchange Earnings

Tourism has become a very important item on the services account of the balance of payments. Earnings from tourism has become the second largest single earner of foreign exchange after agricultural exports. In 1992, gross earnings from tourism is estimated to have accounted for 64% of total service receipts and 31.9% of total exports of goods and services. This compared with 36.9% and 13.8% resp. in 1984¹⁶. Table 9 outlines estimated expenditure by bonafide tourists since 1984.

Based on the findings of the 1986 expenditure survey, overall average daily expenditure by tourist in the winter season was US\$64.88 per tourist (Table 10). Of this, US\$31.83 (49%) was spent on accommodation, including some meals and beverages. Accommodation and meals together accounted for some 64.8% of total expenditure while local transportation accounted for a significant 10.2% of total expenditure. The 1992 winter survey showed an increase in the overall average daily expenditure to US\$94.67. For both surveys, visitors from the USA reported the highest average daily expenditure followed by the Europeans and the Canadians. However, since the Europeans and Canadians tend to have longer stays, their average expenditure tend to be higher. In contrast to the findings of visitor surveys done in other Caribbean tourist destinations, tourists on pre-paid packages reported higher average daily

¹⁶. The Central Bank began preparing balance of payments data in 1985 for calendar year 1984.

Table 9: Tourist Expenditure 1984-1992

	(US\$mn)
1984	24.3
1985	23.6
1986	30.5
1987	36.1
1988	50.0
1989	62.1
1990	88.1
1991	81.2
1992	73.9

Table 10: Average Daily Expenditure by Category, Winter Season

Expenditure Category	1992		1986	
	US\$	% of Total	US\$	% of Total
Accomodation	37.68	39.8	31.83	49.1
Meals & Beverages	24.52	25.9	10.19	15.7
Local Transportation	8.99	9.5	6.59	10.2
Souvenirs	8.99	9.5	3.5	10.1
Dutyfree Purchases	1.14	1.2	0.22	5.4
Entertainment			6.57	0.3
Other	13.35	14.1	5.98	9.2
Overall Expenditure	94.67	100.0	64.88	100

Sources: CTCRC, Belize Visitor Expenditure and Motivation Survey, Winter 1986
 CBB, Report on the 1991/92 Winter Tourist Expenditure Survey

Table 11: Average Daily Expenditure, Winter Season

Country of Residence	1992		1986	
	Ave Expend Per Visit (US\$)	Ave Daily per person (US\$)	Ave Expend Per Visit (US\$)	Aver Daily per person (US\$)
USA	1,136.62	115.39	709.26	68.86
UK	776.32	48.04	769.51	55.48
Other Europe	601.78	75.70	368.90	45.32
Canada	806.40	49.17	521.59	33.98
Caribbean	1,037.69	38.43		
South America	608.57	57.58		
Central American			734.02	85.85
Other	835.28	94.49	643.80	77.01
Purpose of Visit				
Vacation	863.62	86.45	662.31	62.60
Business	1340.78	127.21	786.38	87.57
Other	1766.04	111.42		
Travel Arrangements				
Packaged	1,135.11	127.40	668.93	75.33
Non-packaged	932.43	79.29	678.74	62.27
Cruise Passengers	130.48			
OVERALL	1,006.09	94.67	689.67	64.88

Sources: CTRC, Belize Visitor Expenditure and Motivation Survey, Winter 1986
 CBB, Report on the 1991/92 Winter Tourist Expenditure Survey

expenditure than non-packaged tourists (Table 11). However, because of their longer stays, non-packaged tourists tend to have higher average expenditure than those on pre-paid packages.

At present there is no information on the expenditure pattern of tourists during the summer season. To the extent that during the off season there are reductions in the room rates as well as an increasing number of students who do not use the established facilities, expenditure on accommodation will be lower. In addition, hoteliers have indicated that the total disposable income of most of the summer tourists are much lower than those that visit during the winter season.

3.5 Leakages and Linkages

The overall impact of the tourism industry on the economy has been weakened by the extent of the leakages that exist. While there are little empirical data as to the magnitude, leakages reduce the net foreign exchange earnings from the importation of goods and services by the industry is large. These consist of food - including fruits and vegetables - and beverages, equipment, furniture, fixtures, entertainment, franchise, management and consultants. Other forms of leakages include profits, dividends and loan repayments which are the result of using foreign capital. All these have impacted on the country's foreign reserves. The magnitude of the leakages primarily reflects the openness of the

economy and the absence of strong backward and forward linkages between tourism and the rest of the economy.

To date, tourism's strongest backward linkage is with the construction industry as the link with agriculture is still not sufficiently strong. Lack of consistency and low quality products are the reasons cited for the limited domestic content of the inputs into the tourism product. Hoteliers complain about the poor quality of locally produced goods which tends to shorten their shelf life. In addition, they claim they are often inconvenienced when the goods cannot be supplied on a regular basis. There are strong possibilities for the strengthening of the linkages with the furniture industry, handicraft and culture.

4. SUMMARY

Tourism and its foreign exchange generating potential came into sharp focus in the second half of the 1980s when Belize was forced by the economic crisis of the mid-1980s to look at ways of diversifying the economy. In 1985 tourism was upgraded to second position on government's list of priorities for development. Since then, a combination of increased marketing and promotion and the demand for eco-tourism have resulted in significant growth in the industry. Tourism's contribution to the economy has increased and its importance is likely to grow further, given the developments in the global economy which are threatening the traditional productive sectors.

Particularly since the late 1980s, tourism has been an important generator of foreign exchange, income and employment. The income and valued-added from this industry have not been limited to the hotel sector but, via the multiplier effect, have extended to a number of other activities outside the industry, some of which are very profitable. Tourism is labour intensive and provides opportunities for the problems of unemployment and under-employment that exist.

The development of Belize's tourism has been due largely to the entrepreneurial determination of the small scale tourism operators. They dominate the industry and their fortitude have kept them going since many of them have not been able to realize the efficiencies

of economies of scale. Government has contributed to the industry through investment in infrastructure, the creation of a stable macro-economic climate and the provision of incentives, all of which have served to generate confidence in the industry. Most of the development have been taking place on the cayes but with the shift in focus to eco-tourism there has been a gradual movement inland. Not only have there been economic benefits but there has also been an arousal of the aesthetic sensitivity. Tourism has impacted on changing the skyline of Belize City, for example, forcing a general face lift of the areas in and around the tourism-related activities.

There has been a marked increase in arrivals by bonafide tourists over the years. Although tourists from the USA continue to dominate Belize's market, there has been increased arrivals from Europe and Canada. Marketing has been undertaken mainly by private entities and is concentrated in the USA. However, there are plans to start marketing in Japan and South America and increased activity in Europe. Faced with increasing competition in the international tourism market, there are plans for closer co-operation between the public and private sectors to market Belize as a destination, with the public sector taking a more active role.

The hotel sector has responded to the growth in arrivals with a notable expansion in the accommodation facilities, particularly in San Pedro and Belize City. The emphasis on eco-tourism has also

contributed to increased room capacity in Cayo, Dangriga, Punta Gorda and Placencia. Most of the hotels are small-sized having 10 rooms or less. Only a small amount of them meet minimum international standard or can be upgraded to such. Compared with its competitors, Belize is considered an high priced destination. This has become a real issue especially since the quality of service provided at many of the facilities is inadequate.

There has been a notable change in the type of accommodation facilities available countrywide with an increasing number of cabanas, apartments and condominiums. Although a few multinational corporations have been involved in management contracts and franchises with the larger hotels, ownership of hotels remain largely in the hands of Belizean families.

The tourism industry is not without its problems. The viability of the industry is being threatened by lack of affordable financing, high operational costs and low profitability. Other factors hampering the industry include the quality and extent of marketing, inadequate training facilities, and management difficulties. There are also problems of leakages in the form of imports of goods and services, payments for foreign capital, all of which have implications for the balance of payments and the foreign reserves. At present, the backward and forward linkages between tourism and other sectors are still not sufficiently strong for maximum benefits to be realized.

5.CONCLUSIONS

Further expansion in tourism can be expected to stimulate additional benefits. However, since a significant portion of the inputs necessary for supporting the industry will have to be imported, leakages remain large causing the economic impact to be less than anticipated. There are strong possibilities for the strengthening of backward linkages between tourism and the rest of the economy, in particular those with agriculture and fishing, furniture manufacturing, and handicraft. The necessary improvements to quality can be achieved through education and proper financing.

Training will be an important vehicle for improvements in the standard, quality and efficiency of the services for the entire tourism product. In the interest of the long term development of tourism, members of the industry seem prepared to help meet the cost of training through higher taxes without passing on too much of the cost to the tourists.

The availability and cost of financing for tourism is a critical issue. To survive in a highly competitive international tourism environment, investors need to obtain financing on very reasonable terms. If more affordable funds were available, more small operations would be able to expand their activities and improve the standard of their facilities. The low profitability of the industry also has to be addressed. There is limited scope for

increasing room prices so the principal area of concern will have to be cost rather than revenue. Operational costs are high and costs are likely to be higher with the imposition of higher hotel occupancy tax.

The ability of the industry to manage and control costs will be important determinants of the industry's financial performance, profitability and ability to attract investment financing.

If hotels are profitable, then the entire tourism industry will benefit. Only viable hotels are likely to get financing. A key element to ensuring financing is try and remedy the situation of high costs and low profitability facing the industry. Corporate tax and import duty exemptions provided under the terms of the development concessions help to reduce operational costs. While most of the foreign investors have development concessions, quite a number of the small local investors do not have. Special considerations will have to be given to small operators to help reduce their costs.

Commercial banks' operations focus on short term lending with quick turnover. The banks do not engage in the kind of long term financing required by the tourism industry. The onus is therefore on the government through agencies like the DFC to make long term concessionary loans available, especially to the small operators.

Financing is crucial if strong backward linkages between tourism and the rest of the economy are to be established.

With the development of the capital market, the option of selling shares in the companies will be one way of raising equity financing. Bearing in mind the cultural attitude that exists about wanting to be sole proprietor of a business, and the significant number of the hotels that are small family run operations, entrepreneurs will have to be educated as to the advantages of raising equity through the sale of shares to the public.

Raising equity through partnership is another option that have not been fully explored by local investors. Pooling of resources is one way of helping to meet the equity requirements of lending institutions.

There is need for appropriate strategy for ensuring the attainment of the desired balance between local and foreign investment in the industry. The government needs to be more specific about Belizean involvement. Despite government's policy statement from 1991 that "certain aspects of tourism and related industries should be served or represented exclusively by Belizeans holding a substantial partnership interest in joint venture with foreigners", there is still nothing specific as to what areas these are.

Despite governments plan for the mobilizing of capital for investment in the industry by Belizeans, there seem to have been little real commitment towards this end. The difficulty is that it was not specified what is the procedure for mobilizing the funds or who would be responsible for the promotion of tourism co-operatives, etc.

The issue of low quality for high price remains a problem. The quality of the total tourism product will have to improved significantly. Attracting the higher priced market segment requires delivering higher quality product. New services and products will also have to be created. The increasing sophistication of tourism will require greater integration, a process made easier by automation. Financing will have to be made available for the adaptation and use of new technology.

The slowdown in tourism since 1991 has forced the industry to look inward. Issue like collective marketing, improvement of standard and quality services have come to the fore. In addition, it has forced greater co-operation between the public and private sectors.

To increase the economic benefits from tourism and to increase competitiveness, there has to be greater integration between hotels, airlines, travel agencies and tour operators. The provision of as many of the services available as one package will also help to reduce costs to the industry and to the tourists.

The travelling public has become more demanding and selective making for tougher competition among destinations. If Belize is to hold on to its existing markets as well as harness new segments, more aggressive marketing will have to be undertaken. The absence of a co-ordinated approach to marketing and promotion will be addressed through the present plan for collective and concerted advertising and marketing. The effort is being spearheaded by the BTB with the co-operation of the private sector and should go a far way in increasing the scope and improving the quality of marketing and promotion.

In addition to the marketing by hoteliers, Belize has been advertised through the works of naturalist, anthropologists, etc. with interest in eco-tourism destinations. Given the growing competition in the tourism market, a more concerted effort will have to be made at marketing and advertising. This will require an increasing role by the public sector. For the private sector, there is the need to reduce the cost of advertising and marketing by individual hotels. In this regard, representative organizations like the BTIA and BHA will have to take the lead as a corporate approach will yield greater benefits. The smaller hotels could also organize themselves into partnerships and do joint marketing to help reduce the costs.

The development of tourism has had environmental and social impact. The heavy concentration of hotels and tourism activities on San

Pedro for example has resulted in environmental and social stress. These should be addressed in the recently approved Ambergris Caye master plan. However, care has to be taken to ensure that similar problems do not occur in fast expanding areas like the Cayo District. In addition, in order to protect investment there is need for more zoning.

Accurate and timely data are important in economic planning as well as investment decisions. In the absence of accurate tourism data, it is extremely difficult to design policy and appropriate marketing strategy for the industry. It is strongly felt that the marked increase in accommodation facilities from 1989-1991 was as a direct result of the marketing of Belize using the 32.4% average annual rate of growth in arrivals from 1987-1989, which were not all bonafide tourist arrivals. The problems now encountered with tourism data have to be addressed with some degree of urgency.

In 1991 a committee comprising representatives from the Immigration Dept., BTB, BTIA, CSO and the Central Bank was re-activated to explore ways of improving tourism statistics. Suggestions were made concerning a new embarkation/disembarkation (E/D), clear and precise definitions and classification of visitor arrivals, and the computerization of the Immigration Dept. The new E/D card which will be the responsibility of the Immigration Dept. is designed to alleviate the present problems encountered regarding the classification of visitors particularly those arriving through the

land borders. It will enable the separation of tourists from migrant workers, daytrippers, intransit passengers and returning residents. It is imperative that this card be implemented at all the entry points as soon as possible. Attached is a list of definitions based on those used by the CTO, the Jamaica Tourist Board and the Central Bank of Barbados, as well as suggested classifications of the tourism statistics. (This information has been made available to the committee). Members of the committee have also volunteered to assist the Immigration Dept. through participation in training sessions, seminars and workshops involving immigration officers.

The tabulation of the tourism statistics is still being done manually and the work is being done by only one staff member. Personnel from the CSO have been working with that department to try and build a data base but are being hampered by lack of resources. While there are long term plans to computerize the point of entries, the immediate need for functional computers at the Immigration Dept.'s Belize City office.

It is essential that the legal and regulatory framework for the industry be updated and strengthened. In addition, the Belize National Tourism Council needs to be reactivated. This body which consists of public and private sector representatives was established to advise the MoTE and the BTB on the direction of tourism.

Appendix A: Selected Economic Indicators 1980 - 1992

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Real GDP Growth (%)		2.2	-0.8	-1.6	1.7	0.4	3.0	1.2	6.5	13.1	9.3	4.1	5.1
Per Capita GDP (\$)	2,531	2,518	2,433	2,333	2,310	2,259	2,266	2,476	2,567	2,827	3,010	3,052	3,124
Consumer Price Index (%)						3.8	0.8	2.0	3.2	2.1	3.0	5.6	2.8
Growth in Domestic Exports (%)	44.7	-8.7	-18.8	7.3	11.8	-11.6	15.5	16.8	9.5	-0.7	1.1	-8.8	21.3
Growth in Retained Imports (%)	19.0	-2.7	-17.8	2.8	13.3	-4.2	2.1	16.4	24.1	19.8	1.7	13.8	10.8
Money Supply (\$mn)	111.1	124.4	135.3	160.3	165.7	172.7	199.4	241.2	280.2	324.1	377.0	427.8	469.2
Net Foreign Assets (\$mn)	11.8	3.9	-7.1	-10.7	-27.1	-6.7	26.6	49.9	87.0	124.3	154.6	115.8	92.9
Fiscal Current Balance* (\$mn)	15.5	5.8	-5.7	-13.7	-1.0	-7.6	6.1	9.0	26.4	57.2	73.1	65.9	59.7
BOP Current Account (US\$m)													-36.3
Net Official Reserves (US\$m)	13.2	11.1	11.0	6.9	-0.1	4.9	16.6	26.9	45.5	57.5	70.1	49.3	50.7
BOP Current/GDP (%)					-2.8	-4.5	6.6	7.5	-1.7	-6.2	4.5	-7.7	-9.4
Fiscal Current/GDP+ (%)								2.3	3.4	5.5	7.9	10.8	7.7
Debt Service Ratio (%)	1.4	2.3	4.4	4.3	3.8	14.3	8.3	6.5	5.6	6.6	6.8	5.9	4.6
Import Coverage (months)								1.3	2.4	4.4	4.0	2.9	2.8

Notes
 * Fiscal Years with 1980 denoting FY1980/81 for example.
 + Annualized for calculation.

APPENDIX B

Definitions of Passenger Arrivals

- Belizeans:** Persons, national or non-national, who reside in the country.
- Tourist:** Any person normally resident abroad who enters the country and remains for **at least twenty-four (24) hours and not more than six (6) months¹⁷**, for legitimate non-immigrant reasons such as vacation, recreation, sports, health, study, conferences, meetings, family matters and religious missions.
- Returning Residents:** Belizean nationals who reside abroad and are visiting the country. Exceptions are made for Belizean students studying abroad who are to be recorded as "Belizeans".
- Armed Forces:** Personnel of the armed forces of foreign countries.
- "Non-resident Workers"¹⁸:** Persons entering the country to work and who hold valid worker permits.
- Excursionists/
Daytrippers¹⁹:** Persons in the country for less than twenty-four (24) hours.
- Intransit Passengers:** Persons in the country for less than twenty-four (24) hours for the specific purpose of connecting to some other destination whether by air, land or sea.
- Cruise Passengers:** Persons entering the country on cruise ships for reasons similar to the tourist, but not using sleeping facilities in Belize.

¹⁷. The 6 month maximum stay is the definition used by the Caribbean Tourism Organization and Barbados but is open to suggestions. Some destinations in the Caribbean use 3 months.

¹⁸. A more appropriate title could be found. This category would apply mainly to those workers from the neighbouring countries who enter through the Santa Elena and Benque borders.

¹⁹. This category is designed mainly to capture those persons from neighbouring Mexico and Guatemala who enter the country for less than 24 hours for leisure, to shop or to do business.

APPENDIX B contd

Suggested Classification of Passenger Arrivals

1. Tourists

Purpose of Visit

Vacation - recreation, sports, etc
Business - conferences, meetings, seminars, health
Other - study

Mode of Arrival

Air
Land
Sea

Country of Residence (not nationality)

USA, UK, Continental Europe, Canada, Caribbean, Central
America, Other Countries

Stop-Overs

Long Stay - visitors staying 3 nights or more
Short Stay - visitors staying less than 3 nights

Cruise Ship Passengers

2. Returning Residents

3. Armed Forces

4. Non-resident Workers

5. Excursionists/Daytrippers

6. Intransit Passengers

7. Belizeans

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List of Institutions Visited

Ramada Royal Reef Hotel	Belize Bank Limited
Radisson Fort George/Villa Hotel	Atlantic Bank
Mopan Hotel	Bank of Nova Scotia
Paradise Hotel	Barclays Bank PLC
San Pedro Holiday Hotel	Development Finance Corporation
Sunbreeze Hotel	Belize Airport Authority
Journey's End Resort	Civil Aviation Authority
Elvi's Kitchen	Belize Immigration Department
Victoria House	Ministry of Tourism & the Environment
Mayan Princess	Ministry of Economic Development
Belize Global Travel Services	Belize Tourism Industry Association.
Caribbean Holiday Services	Belize Tourist Board
San Pedro Town Board	Belize Chamber of Commerce National Handicraft Centre