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**RESEARCH ON POLICIES AND INSTITUTIONS TO SUPPORT
SMALL AND MEDIUM SCALE ENTERPRISE IN THE CARIBBEAN**
Trinidad and Tobago Report

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Executive Summary

The Government of Trinidad and Tobago continues to provide support to SMEs in order to enhance their international competitiveness. The increasing effects of globalization and the reality of several trade agreements require that local businesses attain and maintain a level of competitiveness which ensures their continued survival and growth. This report examines in detail the policy environment within which these enterprises operate. It also examines the role of the key implementing agencies such as the BDC and NEDCO for government's policy on the sector and also the role of the respective line ministries. These organizations strive to deliver value added technical, financial and export promotion services to its clients on a subsidised basis.

The services offered reflect five key business areas such as financing, training, technical assistance, trade assistance, business re-engineering, project management and export promotion. In the case of the BDC its services target six sectors: food and beverage, metal processing, leisure marine, including yachting, information and communication technology/electronics, printing and packaging and entertainment. These said sectors are identified by the government, on the basis of a study which was done by TIDCO, for the promotion of a cluster development strategy. In the case of NEDCO it targets the following sectors: art and craft, food and beverages, fashion and fashion accessories, culture and eco-tourism, bed and breakfast operations, indigenous entertainment and light manufacturing.

NEDCO and BDC operations and strategic orientation indicates a supply-oriented approach to enterprise development. This may be due to the fact that it was the earliest approach used by many governments in their efforts to promote small and medium enterprises. This approach is based on the view that the performance of the SME sector is weak, it lacks certain managerial and other critical skills and inputs and, as such, the sector's growth and development are constrained. These promotional institutions have combined within a single agency the task of promoting small and medium enterprises and also providing the necessary technical and financial assistance for programme implementation. However, this approach needs to be complemented by demand driven measures that respond to market needs. In summary, the common promotional package includes: extension of credit, technical and management training, marketing assistance and generally other forms of assistance. These services are usually offered on a subsidized basis, some entirely free. These institutions are publicly owned and often referred to as one-stop-shops.

Interestingly, none of the goals or objectives, the mission or the vision of NEDCO speak directly to the issue of promoting and building competitiveness within SMEs. These goals and objectives seem not to be based on an understanding that firms compete, not nations. Only firms can produce differentiated products that can be exported to sophisticated consumers and sold for a premium. A government can improve the environment around firms, but it must not be paternalistic for such behaviour generally leads to uncompetitive enterprises. The only source of real competitiveness that can bring sustained growth and higher incomes to a nation's people is a strong private sector.

Also as a central policy issue the target groups which are to be the focus of State organizations, such as the BDC and NEDCO, must be carefully defined. For example, if business creation is the objective, the target group ought to be individuals already possessing entrepreneurial characteristics. Whereas, if the objective is that of entrepreneur development the target group ought to be individuals capable of being developed into entrepreneurs and not simply any and everyone. As a policy, it is recommended that both objectives should be promoted. The fundamental issue is that there should be clear and separate guidelines for each objective, given that in practice they are different. There is a need therefore for a clear policy position on this matter. Within this said context, as it relates to employment creation and contribution to GDP on the other, the policy could be developed in such a way so that the

objective for small enterprises is to contribute to employment creation. And the objective of contribution to GDP can be assigned to medium enterprises. In essence there will be clear lines of demarcation.

One must also question the effectiveness of giving public institutions, which are known to be generally inefficient and bureaucratic, the direct responsibility of promoting private institutions, that is, private small and medium enterprises in the Trinidad and Tobago.

I. BACKGROUND

This document outlines the findings of a consultancy which examines policies and institutions to support small- and medium-scale enterprises in Trinidad and Tobago. The consultancy and its elements are prepared within the context of the said focus on small and medium enterprise within the wider Caribbean. Its focus is on small- and medium-sized enterprises (SMEs). The consultancy is conceptualized against the background of a common approach among member countries of the Caribbean Single Market and Economy (CSME) regarding policies and institutional frameworks in support of SMEs. Such a study is urgently needed given that most of the English- and Dutch-speaking Caribbean have committed to a deepening of regional integration without a clear understanding of how it will affect SMEs and how the institutional frameworks should be adapted and streamlined in order to provide conditions for SMEs to take advantage of opportunities arising from the integration movement. In addition, globalization and the need for competitive goods and services to capture international market share also demand an evaluation of the framework for supporting SMEs.

This study then addresses an urgent need to provide information to guide policy formulation and the establishment of appropriate institutional frameworks. This is critical given that it is well known that the creation and growth of SMEs are essential in the development process. SMEs play a key role in mobilizing resources and allocating them to productive activities. They provide the impetus in driving the flows of trade, investment and technology on which the strength of economic growth depends. It is against the background of this understanding that there is the real need for SMEs to have supportive policies and institutional framework so as to maximise the benefit of the opportunities which will be created by the CSME. This approach is needed so that the sector can be prepared to meet the urgent need of sustainable job creation, improve productivity and competitiveness.

In essence the consultancy is undertaken within the context of the need for a strategy for employment creation, increasing competitiveness and poverty alleviation which places the main focus on SMEs. Within this context the findings of this consultancy should inform policy formulation in Trinidad and Tobago, and even the wider Caribbean, for the SME sector as the country strives towards VISION 2020 and also as it prepares for the challenges of being part of the CSME and integrating more favourably into the world economy.

II. TERMS OF REFERENCE

The Terms of Reference (TOR) which guided this consultancy, by way of its background states, “A common approach among member countries of the Caribbean Single Market and Economy regarding policies and institutional frameworks in support of SMEs is long overdue. Most of the English and Dutch Caribbean have committed to a deepening of regional integration without a clear understanding of how it will affect small and medium scale enterprises and how institutional frameworks should be adapted and streamlined in order to provide conditions for SMEs to take advantage of opportunities arising from the integration movement”.

Against this background the goal of the consultancy was stated as “the consultancy has as its objective to analyze the evolution of SMEs in Trinidad and Tobago, highlighting recent progress in the design of policies and the introduction of novel instruments. Given the fact that implementation failures are persistent, the document shall include also an analysis of institutional capacity for implementation, including a review of successful and less successful experiences, related to the allocation of human and financial resources in support of SMEs”.

Based on the above outlined TOR, the consultancy must specifically outline and address the following issues:

- (a) A clear definition of SMEs in the country context
- (b) A brief characterization of the general situation of SMEs in Trinidad and Tobago giving quantitative information regarding the sector’s contribution to gross domestic product (GDP), employment and exports by sector of economic activity
- (c) Policy considerations about the strategic policy framework towards the real economy, in which the SME policy is inserted
- (d) The policy instruments applied in the last five years to promote SME development, their competitiveness and linkages. With special emphasis on programmes implemented and instruments applied in areas such as financing and credit, technological development, training and human resources development, export promotion, networking and clustering initiatives
- (e) A review of the existing support system with focus on the institutions involved in SME policies. Such focus must examine their institutional characteristics, human resource capacity, their source and method of financing, the support instruments offered by them and finally an examination of the coordination among these institutions
- (f) An evaluation of institutional development and efficiency and effectiveness of policies
- (g) A discussion of the challenges ahead for SMEs

III. FINDINGS

A. CONTEXT AND DEFINITION

Any study of the SME sector needs to address the issue of definition. There is no universally acceptable definition as to what constitutes an SME. This is particularly so because the term 'small and medium enterprise' represents a highly heterogeneous group of business entities. This heterogeneous-plurality basically makes it difficult to express the characteristics of SMEs in one single indicator. Such enterprises may be defined using different criteria depending on a country's pattern and stage of development, policy aims, population density and the extent of data deficiency. Given this reality, the definition of SMEs varies among countries as well as within the same country.

Business size, whether measured in terms of the number of persons employed, by the value of capital equipment or output, or by any other such measure is a relative matter. This is so, for what is small or medium in one economic setting may not be so in another. For example, by the standards of advanced industrial economies, most enterprises, if not all, in the Caribbean can be described as small. On the other hand, in the Caribbean, mainly for purposes of macroeconomic planning, enterprises are sometimes categorized as large or small. In essence, a large enterprise in one country may be considered small in another, and a large enterprise in industry X may be considered small in industry Y. Therefore the term 'small and medium enterprise' has meaning within a specific socio-economic context, and in a way they are not 'typical large enterprises' for they are not fully endowed with the features which characterize typical large enterprises, such as large output and economies of scale. Therefore SMEs form a group because they are similar in a negative sense, in that they do not have certain features and characteristics which large enterprises have. Discussions about the sector is usually based on the premise that it has special characteristics and distinctive problems which can be attributed to its small size and scale of operation. This approach is largely comparative and attempts to identify the special features of SMEs in comparison to larger units.

Definition of SMEs can utilize qualitative or quantitative criteria as lines of demarcation. Such criteria can be any characteristic, function or attribute which is significant enough to differentiate the group from others and identify it with its own equivalents. Thus the line of demarcation of size cannot be a superficial demarcation. Definitions of SMEs differ according to the purposes of the definer, and hence are based on different criteria such as number of people employed, level of capital assets, level of sales and level of technology used. The size of an enterprise, like other measurable characteristics, means a compliance with or variation from a given norm, the norm being the average, which in itself is variable. In this sense a definition of SME, be it quantitative or qualitative, is subordinate - a secondary phenomenon - to the definition of enterprise which is its major group. Since the term 'enterprise' defines a major group such definition is invariably a qualitative one, which should focus on those factors which the enterprise relies on for its existence.

The General Conference of the International Labour Organisation (ILO) on 2 June 1998 in Geneva adopted recommendation 189 entitled "Recommendation Concerning General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises". The said conference noted that SMEs, as a critical factor in economic growth and development are increasingly responsible for the creation of the majority of jobs throughout the world and can help create an environment for innovation and entrepreneurship. In response to the ILO perspective, the Government of Trinidad and Tobago appointed in 1998 a Task Force to study and make recommendations for the "Intensification of the Development of the Micro, Small and Medium Enterprises Sector of Trinidad and Tobago".

The Task Force developed working definitions for micro, small and medium size enterprises (MSMEs) and defined them within the parameters of number of employees, assets in Trinidad and Tobago (TT) dollars and annual sales. These definitions are used by all stakeholders in the business of enterprise development and promotion including The National Entrepreneurship Development Company Limited (NEDCO), the Business Development Company (BDC) and the Ministry of Trade and Industry. The definitions of MSME are outlined in Table 1 below. Trinidad and Tobago Enterprise Development Policy 2001-2005 has as its theme “Forging a Competitive Economy through Partnership”. The document underscores the principal need to involve the private sector in collaboration with government, to achieve its objectives. Among others one of these objectives is to “expand business activity with emphasis on the development of the Micro, Small and Medium Enterprises Sector”. The Enterprise Development Policy refers to these said definitions of SMEs and, as such, the National Enterprise Development Policy is formulated within the context of these definitions.

Table 1: Business Size Definition

Size	No. of Employees	\$TT Assets (excluding land and building)	Annual Sales
Micro	1-5	Less than \$250,000	Less than \$250,000
Small	6-25	\$250,000 – \$1.5 million	\$250,000 – \$5 million
Medium	26-50	\$1.5 million - \$5 million	\$5 million - \$10 million

Source: Enterprise Development Policy and Strategic Plan for Trinidad and Tobago 2001-2005, Forging a Competitive Economy through Partnership, Ministry of Enterprise Development and Foreign Affairs, July 2001

B. POLICY FRAMEWORK

1. Genesis of the existing Policy framework

The policies of the Government of Trinidad and Tobago towards the SMEs are outlined in the Enterprise Development Policy and Strategic Plan for Trinidad and Tobago 2001-2005 (EDP 2001 - 2005). The outlined policy for SMEs was heavily informed by the findings of the 1998 Task Force and its recommendations for the “Intensification of the Development of the Micro, Small and Medium Enterprise (MSME) Sector in Trinidad and Tobago”. The Task Force identified the following areas as crucial to the development of MSMEs:

- (a) Coordination among MSME development agencies;
- (b) Harmonization of MSME policies and programmes;
- (c) Access to credit and other sources of finance;
- (d) Training and human resource development;
- (e) Marketing opportunities and development;
- (f) Institutional and infrastructural arrangement; and
- (g) Other business development support services.

This lay the context within which the policy framework for the sector was developed and articulated in EDP 2001-2005. With reference to MSMEs, the 2001-2005 Policy document states, “the

non-energy sector in Trinidad and Tobago is dominated by micro, small and medium-sized enterprises. Achieving organic growth and improved competitiveness from the existing base therefore requires that the enterprise development policy take account of the particular needs and circumstances of the MSMEs. This consideration has been kept in clear focus in the development of the new policy. Nurturing growth in existing MSMEs and the creation of a steady stream of new, competitive enterprises are major objectives for the policy”.

The foregoing statement gives a clear indication of the role which is earmarked for MSMEs as it relates to the growth and improved competitiveness of the national economy. It also recognizes that the sector has special needs and its circumstances are not the same as that of large enterprises. Also significant changes have been taking place in the way industries are tending to reorganize in the face of new conditions emanating, on the one hand, from the changing market and, on the other hand, from intense international competition. In the market sphere, demand has become much more volatile, differentiated and quality driven. These changes have come about as a natural process of generally rising income levels which require manufacturers to respond appropriately. Therefore the inducement for manufacturers to offer a greater range of goods and services has arisen, in view of changes in demand and increased pressure on profits due to more national and international competition as the world economy becomes progressively globalized. These pressures from the market and international competition has resulted in new manufacturing methods and new methods of organizing production involving qualitatively different kinds of inter-firm and intra-firm organizations. One feature of these new methods is that they involve improving the responsiveness of, or cutting the overall costs of, whole industrial sectors. The individual efficiency, responsiveness and competitiveness of firms operating within this environment is critical to their survival. It has also created new opportunities for SMEs.

In the new environment the capacity of enterprises to stay competitive to a large extent will depend on their ability to adjust internal capabilities quickly; in essence there will be the need for flexibility. As a result of this situation, organizational strategies must lead to new forms of organization of work based on higher and more diverse skills. There are likewise close links between enterprise organization to permit the effective use of technology, skills and training on the one hand and productivity on the other. Within this context a fundamental issue is why should SMEs be concerned with such changes. The reason seems to lie in the fact that such organizational and technological changes will continue because they tend to improve productivity and quality and help generate profits. Also given that SMEs no longer operate in an environment of secured home markets, many are altering their structures and business strategies in the face of increased market liberalization, technological changes and social transformation.

All of this is taking place as globalization of the world economy takes place. These developments simultaneously give SMEs more opportunities to enter new markets and develop new products and intensify competitive pressures. This volatile environment calls for greater coordination at the planning and policy level within the economy. Governments have to consider which policies and institutional arrangements will best balance the requirements of enterprises, which have to become or remain competitive and create employment, with the desirability of a more highly skilled workforce and higher productivity. The complexity of the issues involved and the fact that government policy effectively determines the economic framework within which the SMEs operate dictate that they become a part of the macroeconomic decision-making process. This privilege has traditionally been extended to large enterprises. The existence of both, large and small enterprises within the economy are essentially complementary, therefore in terms of equity they should be treated equally, as long as in so doing the economy maintains its international competitiveness.

2. Focus of the Enterprise Development Policy

It is outlined in the 2001-2005 policy document that, “the enterprise development policy seeks to establish a vibrant, robust, productive and diversified economy by reconstructing the framework within which the non-oil manufacturing sector and the services sector would be transformed into the new engine of growth in Trinidad and Tobago”. In essence the policy gives central focus to the non-oil manufacturing and services sector; this is a logical approach given the number of MSMEs which fall within this sector. The National Enterprise Development Policy has as its theme “Forging a Competitive Economy through Partnership”. It also has the following specific objectives:

- (a) To attain sustained economic growth and development
- (b) To expand business activity with emphasis on the development of the MSME sector
- (c) To generate more and better employment opportunities
- (d) To enhance the competitiveness of the non-oil manufacturing sector in order to increase exports and capture new and emerging markets
- (e) To accentuate the development of human resources in tandem with development strategies
- (f) To increase foreign direct investment inflows and improve the domestic financial system through the establishment of a sound legal and regulatory environment for banks, capital markets and the entire financial sector in order to facilitate investment

These overall objectives indicate a specific role for MSMEs, therefore there is some level of compatibility between the overall objectives of the Enterprise Policy and the envisioned role for the MSME sector. Clearly the development of MSMEs is important in relation to the overall objectives of the Enterprise Development Policy, particularly in relation to the issues of growth, employment creation and, to a lesser extent, diversification of the national economy. The sector and its enterprises therefore have a key role to play in the restructuring of the national economy. The new and/or restructured enterprise must be competitive if their activities are to be sustainable within the context of a highly competitive global economy. This reality calls for a delicate balance between employment creation and the promotion of efficiency and effectiveness among these enterprises. Importantly worker wage rate must be linked to worker productivity.

The EDP 2001-2005 recognizes the need for enterprises in Trinidad and Tobago to be globally competitive. It also alludes to the need for businesses to forge alliances in the form of joint ventures as a means of acquiring new knowledge and technology to enhance their productivity. It also specifically indicates “that businesses concentrate on developing and utilizing the factors of production that will make them efficient and competitive. These factors are summarized as:

- (a) Human Resources
- (b) Knowledge and Exploitation of Technology
- (c) Entrepreneurship

These factors are certainly important in terms of enterprise development, however what is just as important are the overall challenges which face the overall national economy. These challenges should also play a major role in informing the nation’s Enterprise Development Policy and, by extension, the

policy imperatives for the SME sector. In essence the policy framework, of necessity, must have a holistic and integrative focus.

The major challenge facing Trinidad and Tobago is promoting sustainable and equitable development and, consequently, to reduce poverty. This challenge has been captured in the government's call, in consensus with major stakeholders, to achieve developed country status by the year 2020 – Vision 2020. However, Trinidad and Tobago – if it is to meet this major long-term challenge and ultimately achieve the goals of Vision 2020 - must begin to confront in the near to medium term a set of pressing development challenges in the areas of: (a) private sector development and economic diversification; (b) public sector reform and modernization; and (c) social development, with improved public services and more efficient delivery¹. The Inter-American Development Bank (IDB) country strategy for the period 2004-2007 sets out three principal and inter-dependent areas of strategic focus. These three areas are: (a) promoting private sector development to achieve economic diversification; (b) promoting public sector modernization to improve efficiency and effectiveness, and upgrade capacity; and (c) promoting social development through improved public services. Even if the IDB Country Strategy is dated 2004 and the EDP 2001-2005 is dated July 2001 there is certainly congruence between their strategic focus, particularly as it relates to economic diversification. This indicates the EDP was formulated with a sound understanding of the national developmental imperatives.

Against this background and informed by the findings and concerns of the 1998 Task Force, the EDP 2001-2005 outlined the following objectives for the MSME sector:

- (a) To bring about effectiveness and efficiency in the provision of developmental support services to the MSME sector
- (b) To foster entrepreneurship, encourage the creation of MSMEs and increase their chances of survival and growth
- (c) To widen the range of funding options for the sector by exploring both traditional and non-traditional sources that exist locally and internationally
- (d) To empower communities, disadvantaged and otherwise challenged groups and alleviate the effects of poverty through self-employment opportunities
- (e) To develop a legal and institutional framework for the development of the MSME sector

3. Policy evolution and alignment

The existing strategic policy framework within which SME policy is inserted has evolved over the last 10 years, with that evolutionary period beginning at about 1998 with the Task Force Report. Firstly, essentially, since then, the focus of all the policy measures were aimed at addressing the seven “crucial” areas identified by the 1998 Task Force Report. These seven areas are: coordination among MSME development agencies; harmonization of MSME policies and programmes; access to credit and other sources of finance; training and human resource development; marketing opportunities; institutional and infrastructural arrangement; and other business development support services. Secondly, since then the SME policy framework had some basic level of compatibility with the wider industrial development policy. One can come to this conclusion given that the MSME sector could have contributed to the

¹ This is taken from Inter-American Development Bank - IDB Country Strategy with Trinidad and Tobago (2004-2007) September 2004.

specific objectives of the industrial policy. To give an example, some of the specific objectives of the industrial policy of 1996-2000 were: expansion of the range of business activities in the non-oil business sector, generation of permanent employment activities and sustained economic growth and balanced integrated development.

The compatibility is described as basic given that when one examines the other objectives the question arises as to whether the objectives outlined for the SMEs could have contributed to the other objectives of the industrial policy. The other objectives of the industrial policy were aimed at increasing levels of foreign and domestic investment, increase export earnings of the non-oil business sector, to improve the country's investment climate and to assist in the attainment of the country's food security objectives. In terms of the industrial policy, a principal question is what kind of strategy should be initiated so as to compete with the rest of the world. The lessons of development indicate the advantages of an outward oriented 'market-friendly' strategy. This strategy had led, particularly in East Asia, to improved resource allocation and utilization and continual improvement in the policy framework to reduce policy distortions. The State has a critical role to play in this 'market-friendly' approach; its role is important in providing the economic, social and legal infrastructure to create a suitable environment for private enterprise and to ensure a high level and appropriate composition of human capital formation.

Essentially, a close examination of the objectives outlined for the MSME sector in EDP 2001-2005 reveals that it simply addresses the issue of creation of enterprises. None of the objectives address the issue of the promotion of exports, the promotion of rural and/or agricultural development, or the building of competitive enterprises. All of the objectives are externally focused in the sense that they do not fundamentally address the internal constraints of a firm. This is interesting given that many studies on SMEs indicate that fundamental constraints to their growth and development are internal to these enterprises. These constraints must be removed if the SMEs sector is to make its contribution to the National Enterprise Development Policy objective which aims "to enhance the competitiveness of the non-oil manufacturing sector in order to increase exports and capture new and emerging markets".

Firstly, reference is made to agriculture and rural development simply because experience has shown that the role of SMEs can be complementary to agricultural development in rural areas. Experiences have shown that this linkage between agriculture and SMEs often acts as a catalyst to the development of indigenous appropriate technology which uses local raw material, and equipment. Just as important is the increase in local value added within the agricultural sector which this linkage generates. The development of such appropriate technology is also necessary for building up local productive capacity. It will also stimulate the growth of other small enterprises and lay the groundwork for the transformation of an economy in which traditional and outmoded techniques are used into a modern economy based on advanced technology. Institutions such as the Caribbean Industrial Research Institute (CARIRI) should play a critical role in this process. This linkage was necessary within the context of two specific objectives – food security and balanced integrated development - of the then industrial policy. Promotion of such linkage is also ideal for the process of growth and rural industrialization which has real potential to bring about the envisioned balanced integrated development.

Secondly, a close examination of the objectives outlined for the MSME sector in EDP 2001-2005 raises the fundamental question: are these objectives really compatible with the overall objectives of the National Enterprise Development Policy? The objectives for the MSME sector are certainly compatible with two out of the six listed overall objectives of the National Enterprise Development Policy 2001-2005 – "Expand business activity with emphasis on the development of the Micro, Small and Medium Enterprise Sector" and "Generate more and better employment opportunities". The compatibility is derived from the fact, as stated above, that the focus is solely on enterprise creation which will naturally lead to employment creation. Therefore, it will certainly generate more but not necessarily better

employment opportunities. The objectives for the MSME are not necessarily compatible with the other four overall objectives of the National Enterprise Policy – attain sustained economic growth and development, enhance competitiveness of the non-oil manufacturing sector in order to increase exports, accentuate the development of human resources in tandem with our development strategy.

This focus on simply the creation of enterprise does not address the fundamental strategic challenges of sustained employment creation, diversification of the economy and increasing exports. There must be a focus on making these enterprises more efficient and competitive. The experience of programmes aimed at promoting SMEs shows the importance of policy guidelines that focus on viable and efficient small-scale enterprises producing competitive products. Similarly, the experience with exporting is that SMEs which are growth oriented are more likely to undertake export activity². Enterprise development based on SMEs is a good choice for this country as it simultaneously pursues its employment objectives and balanced regional growth. However, the potential contribution of SMEs to the developmental processes, must be approached carefully. It should not be viewed by the government merely as a short-term instrument to sustain the livelihood of the poor. A successful process of rural development and SME development means the building of modern competitive industries, a shift in orientation from a local market to an external market orientation and increasing specialization and product/service standards. The SMEs contribution to the national economy, in particular its contribution to employment and national GDP, is highlighted in tables 2 and 3 below³.

Table 2: Small Enterprise Contribution to GDP and Employment

Year	Percentage contribution to GDP	Percentage contribution to employment
2002	5.15	6.2
2003	5.59	6.6
2004	6.02	6.7
2005	6.54	7
2006	6.89	7.3

Source: Data was extracted from National Accounts

Table 3: Medium Enterprise Contribution to GDP and Employment

Year	Percentage contribution to GDP	Percentage contribution to employment
2002	7.55	3.4
2003	8.42	4
2004	8.97	4
2005	10.02	4.2
2006	10.84	4.4

Source: Data was extracted from National Accounts

² This lesson is clearly reflected in the findings of Parker et. al (1995). It is stated that “growing MSEs exhibit stronger marketing strategies despite facing competition that was as strong as that which faced stagnant or declining MSEs

³ For more details on these figures and breakdown by activity refer to Annexes 1, 2, 3 and 4.

The figures in the tables indicate that while the enterprises' contribution to national GDP over the period 2002 to 2006 grew from 12.7% to 17.76% its contribution to employment over the said period grew from 9.6% to 11.7% of the labour force. These figures, when compared to other countries, suggest there is need for the sector to make a greater contribution to GDP and employment creation. For example, in Singapore SMEs employ 51% of the total workforce whereas in the European Union (EU) they provide 66% of all jobs. In fact in many countries they are the largest employers; however one needs to remember that the definition used varies from country to country and the share of employment provided and the contribution to GDP by SMEs varies from one industry to the next. How to achieve this increased contribution to the national economy certainly must be considered when policies for these enterprises are being formulated.

C. INSTITUTIONAL SUPPORT SYSTEMS

1. Introduction

Over the years a number of institutions in both the private and public sectors have been playing important roles in the development of the SME sector. Within this context the Government of Trinidad and Tobago has supported development of the MSME sector and has mandated institutions to provide policy and practical support. In December 1999, Cabinet accepted the report of the Cabinet-appointed Task Force which made the following recommendations:

- (a) The Ministry of Trade and Industry and Consumer Affairs⁴ was designated as the line Ministry with overall responsibility for the MSME sector
- (b) The Small Business Development Company (SBDC) was to be the implementing arm of the ministry
- (c) These two entities were to be solely responsible for the achievement of the government's objectives for the sector
- (d) The SBDC was to be reorganized to take on planning, research and implementation responsibilities for actions within the scope of government policy
- (e) The SBDC was to meet the needs of all players in the MSME sector and not just targeted sectors or subsectors
- (f) Government funding for the financing needs of the MSME sector should be sourced from multilateral agencies, while funding for training, research and outreach activities should come from the Treasury⁵

Cabinet also agreed to the creation of a MSME Policy Unit within the Ministry with responsibility for coordinating and monitoring the Implementation Plan. Its scope of work was to include:

- (a) Reviewing the policy for the MSME sector in synchronization with overall government development policies;

⁴ In January 2002 the newly-titled Ministry of Labour and Small and Micro Enterprise Development was designated in place of the Ministry of Trade and Industry as the line ministry responsible for MSME development and the MSME Policy Unit was similarly transferred.

⁵ Small Business Development Plan for Trinidad and Tobago - Phase 2, 2002; (pg.4)

- (b) Developing policy, plans and programmes to intensify the growth of the MSME sector
- (c) Developing programmes to help the sector to become export-oriented
- (d) Liaising with international organizations and financial institutions and non-governmental organizations (NGOs)

Against this background and among the many players in the MSME sector, changes in policy focus and changes in institutional responsibilities, there are four institutions in the public sector that have a clear mandate for the development of MSME in Trinidad and Tobago. These institutions are:

- (a) The Ministry of Labour and Micro and Small Enterprise Development which is responsible for MSME development in Trinidad and Tobago
- (b) The BDC which was designed to be the implementing agency for government's MSE policy
- (c) The National Entrepreneurship Development Company Limited (NEDCO)
- (d) The Tobago House of Assembly (THA); under the current THA administration this responsibility resides with the Business Development Unit attached to the Division of Finance and Enterprise Development

2. Role of the Respective Line Ministry

Following the recommendations of the Task Force a MSE Policy Unit was established within the Ministry of Trade and Industry and Consumer Affairs. This Policy Unit is now transferred with all its resources and responsibilities to the Ministry of Labour and Micro and Small Enterprise Development. The specific recommendations from the Task Force Report which led to the formation of the MSE Policy Unit in 2000/1 state “the Ministry (then the Ministry of Trade) will be coordinating and supervisory agent for the implementation of government policy towards the sector as follows:

- (a) The agent through which international bodies liaise with the government with regard to the sector;
- (b) The link through which Cabinet deals with all issues pertaining to the sector;
- (c) The coordinating agency through all other ministries must relate with regard to the sector;
- (d) The Chairman of Cabinet MSME Sector Sub-committee.

The Ministry must so reorganize itself to fulfill its role. One suggestion is the creation of an MSME Secretariat along the lines of the Divestment Secretariat at the Ministry of Finance”.

D. BUSINESS DEVELOPMENT COMPANY (BDC)

1. Introduction

As a result of its continued commitment to the development of the sector the Government decided to transform the Small Business Development Company Limited (SBDC) into the Business Development Company Limited (BDC). The BDC was officially established in August 2002 as a limited liability

company with the government as the major shareholder. Consequently, it can be considered a para-statal organization. In fact it is one of the principal implementing agencies for the government's policy on the development of the SME sector. The BDC has continued to evolve in order to meet the specific needs of enterprises in the sector with the company's major focus being on improving the sustainability of enterprises within the SME sector.

As the agency responsible for the implementation of government's policy for the SME sector, the BDC provides technical, financial and export promotion support services to businesses in order to foster their sustained growth and international competitiveness. The company's vision is "to be internationally recognized as the premier agency for business development in the Caribbean". In order to realize the above vision the company articulates its mission as "to provide a range of quality products and services to enhance the growth and competitiveness of enterprises, while contributing to the sustainability of the company." The company offers a range of products and services geared towards the continued growth and development of SMEs. It utilizes a variety of techniques including several strategic alliances in order to implement these offerings. In addition the BDC continues to enhance its institutional capacity in order to remain proactive and responsive to the needs of the target market.

In order to fulfil its mission, the Company has identified several key business areas:

- (a) Trade assistance,
- (b) Business restructuring,
- (c) Project management,
- (d) Consultancy services
- (e) Training and business advisory; and
- (f) Export promotion.

Against this background the BDC provides support to many businesses in a variety of sectors. However, the company focuses mainly on six sectors that the government has identified as being strategic in terms of economic growth and diversification and in which the country has a comparative advantage. These specific sectors are as follows:

- (a) Food and beverage;
- (b) Metal processing;
- (c) Leisure marine, including yachting;
- (d) Information and communication technology/electronics; and
- (e) Printing and packaging.

2. Institutional characteristics

(a) Corporate governance and organizational structure

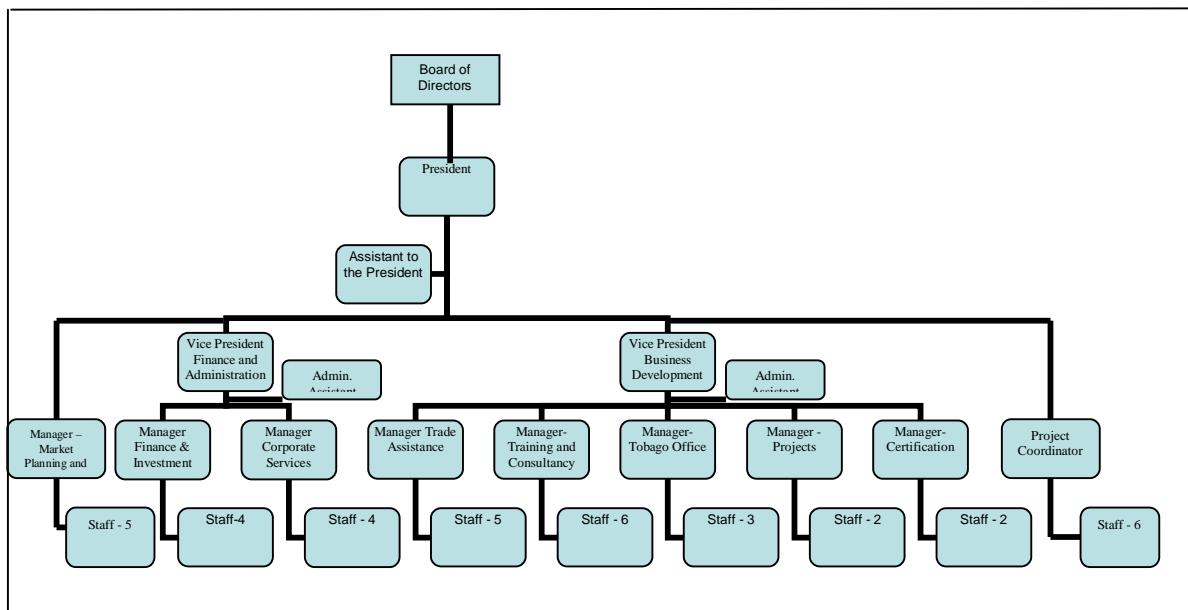
The BDC line ministry is the Ministry of Trade and Industry (MTI). Thus, the government defines the mandate of the company and appoints a team of five directors to chart the course of the company within the context of its mandate. The members of the Board include representatives from the government, the financial sector and the business sector. As the major shareholder, the government is responsible for

appointing the chairman. Other shareholders include members of the financial sector. As with other para-statal organizations, the Board is expected to report to the ministry on the activities of the company. In addition the Board is expected to report to all shareholders annually at the Annual General Meeting. At present the Executive Team includes the President and the Vice-President (VP) Business Development. Given the fact that the position of VP Finance and Administration is not filled, the VP Business Development supervises the activities of both units. Additionally, the President supervises the activity of the Caribbean Leasing Company Limited (CLCL) since at present the position of General Manager is vacant.

The BDC has a functional organizational structure. The four major units are finance and administration, business development, market planning and development and project coordination. In addition there are two regional offices in San Fernando and Tobago and a subsidiary, the CLCL. A summary organizational chart is displayed as Figure 1 (below). Given the above, differentiation is high since there are many subunits with very specialized tasks within each unit. The structure can be considered to be very “tall” since there are many hierarchies and decision-making is centralized. There is a small span of control with some managers supervising as few as four employees.

Although the Organizational Chart shows one regional office in Tobago, the projects office is located in San Fernando. All trade assistance activities were supposed to be conducted out of the Head Office in Port of Spain. This however proved to be impractical and inefficient. At present both the Tobago regional office and the office in San Fernando function as satellite offices of the Business Development Unit and offer trade assistance services. Thus, the current organizational chart does not quite accurately display how the organization actually functions.

Figure 1: Summary Organizational Chart of the BDC



(b) **Human resource capacity**

The BDC core services require its staff to be qualified and experienced in several aspects of business development, finance and export promotion. Since the transition from the SBDC to the BDC, the company has experienced and continues to experience high staff turnover. Although the approved complement of staff is 66 employees, (BDC - 58 and CLCL - 8), at present less than 70% are on staff. Some positions such as the VP Finance and Administration and Manager Projects have been vacant for over three years. There are no immediate plans to fill the aforementioned in the near future, although the Company is seeking to fill several positions outlined hereunder:

- Manager Training and Consultancy
- Manager - Caribbean Leasing Company Limited
- Business Development Officer – Consultancy
- Business Development Officer - Training & Business Advisory
- Senior Leasing Officer (CLCL)
- Accounting Officer
- Marketing Assistant

The company is also trying to fill key positions in its Training and Consultancy Department as well as in CLCL. The core staff at present focuses on the trade assistance and administrative activities. Given the level of specialization of the current staff and vacancies in key areas in Training and Consultancy in order to meet the company's strategy of providing customized solutions based on the specific needs of the client, the company must utilize the skills and experience of external consultants where in-house capacity does not exist. In keeping with this situation a database of consultants was developed and is updated continuously. Table 4 below outlines the basic qualifications required to fill the approved positions within the Company.

Table 4: Required Qualifications for Positions at the BDC

Positions	Required Qualifications
President	Masters Degree
Vice President	Undergraduate Degree
Manager	Undergraduate Degree
Senior Business Development Officer	Undergraduate Degree
IT Administrator	Undergraduate Degree
Marketing/PR Officer	Undergraduate Degree
Business Development Officer	Undergraduate Degree
Market Research & Planning Officer	Undergraduate Degree
Executive Assistant to the President	Undergraduate Degree
Credit Risk Officer	Undergraduate Degree
Market Intelligence Officer	Undergraduate Degree
Human Resource Officer	Undergraduate Degree
Accounting Officer	ACCA Level 2
Administrative Assistant	Association of Professional Secretarialship
IT Officer	Diploma, Institute for the Management of Information Systems
Administrative Coordinator	Association of Professional Secretarialship
Marketing Assistant	Association of Professional Secretarialship
Accounting Assistant	ACCA Level 1
Customer Relations Assistant/Receptionist	5 O'Levels

Office Assistant	5 O'Levels
Senior Leasing Officer	Undergraduate Degree
Leasing Officer	Undergraduate Degree
Information Assistant	Diploma, Institute for the Management of Information Systems

Source: BDC Internal Human Resources Profiles

(c) **Funding**

The BDC has several sources of financing which facilitate the activities of the company. As the implementing arm of the government with respect to SME development, the company is afforded a budget to carry out its Trade Assistance Programme. In addition, given its goal of self sufficiency, the Company also generates incomes through the provision of its products and services including its training initiatives, consultancy fees, the loan guarantee portfolio and the leasing facility. Income is also generated from investments.

(i) *Government Funding*

The government provides the company with an annual subvention, which is paid in monthly tranches. This subvention is used to assist in covering administrative expenses. The actual dollar amount changes from year to year. The government also provides grants and additional funding for special trade assistance projects through its Public Sector Initiative Programme (PSIP). One of the key services, funded by a government grant, is the Research and Development Facility. This was funded on a one time basis in 2005. This research and development facility is aimed at the funding of innovation, particularly in the areas of product and process innovation. The research and development facility is linked to the BDC's key business areas of business restructuring and consultancy. The overall goal of the facility is the development of new products and processes to improve the competitiveness of firms within the SME sector. Based on discussions with officers at the BDC it is fair to say generally the stimuli to the innovations are production constraints at the enterprise level and the need to improve product quality. These production and quality constraints are normally identified during business restructuring and consultancy services. This is a very effective and cost efficient approach to the promotion of product and process innovation within these enterprises.

(ii) *Investment Income*

The BDC manages a revolving fund which was initially capitalized by the government and used to "back" the guarantee programme. These funds are invested in several financial instruments including government bonds, mutual funds and other interest bearing accounts. At present this fund is over TT\$30 million and the income generated from these investments is channeled back into the fund and also contributes to meeting the operational cost of the Company. Income generated from this source has surpassed over TT \$3.5 million over the last three years. It is the most significant source of funding for the company.

(iii) *Products/Services*

The BDC provides a range of services to SMEs on both a subsidized and commercial basis. Services offered as part of the Trade Assistance Programme are subsidized by the government through the annual subventions given to the Company. Subsidized services include the loan guarantee since the rate charged does not reflect the risk associated with the projects being funded. A small processing fee is charged for other services such as the Approved Small Company Status and the Research and

Development Facility. Commercial rates are charged for leasing, training, consultancy and project management services. Table 5 below outlines the services and the rates charged.

Table 5: Fee Structure of Income Generating Services

Product/Service	Fee Structure
Loan Guarantee	<ul style="list-style-type: none"> ▪ One time up front premium of 5% of the guarantee amount
Leasing Facility	<ul style="list-style-type: none"> ▪ Management Fee – 1% of the Lease Value ▪ Processing Fee - \$500 - \$1,500 ▪ Interest Rate – Prime or Prime (+)
Training	<ul style="list-style-type: none"> ▪ Commercial Rates
Consultancy	<ul style="list-style-type: none"> ▪ Commercial Rates
Project Management	<ul style="list-style-type: none"> ▪ A percentage of the value of the project (the BDC unable to indicate the actual percentage charged for the service)
Research and Development Facility	<ul style="list-style-type: none"> ▪ Processing fee of \$100 per application
Approved Small Company Status	<ul style="list-style-type: none"> ▪ Processing fee of \$500 per application

Source: BDC Fee Structure Manual (Internal Document)

(iv) *Funding from international sources*

The BDC has in the past also received financing from international bodies to fund special projects. The company has previously received funds from bodies such as the EU and the Government of the People's Republic of China. It should be noted that there has been no significant financing from this source over the last five years. One of the most significant projects emerging from this type of financing was the CLCL formerly known as the Small Business Development Company Leasing Company (SBDC Leasing). This facility was financed by an interest free loan of TT\$22.2 million from the Government of the People's Republic of China in 1998. The loan has a 10- year moratorium, which commenced on 1 January 1998. It is to be repaid within a 10-year period from 1 January 2008 to 31 December 2017.

3. Key business areas and support services/instruments

(a) **Key business areas**

In order to fulfil its mission, the Company offers a range of products and services to meet the specific needs of SMEs. In order to meet these needs the BDC has identified several key business areas for its focus:

- (a) Trade Assistance;
- (b) Business Restructuring;
- (c) Project Management;
- (d) Consultancy Services;
- (e) Training and Business Advisory; and
- (f) Export Promotion.

(i) *Trade assistance*

The trade assistance programme essentially provides subsidized technical and financial support to businesses in order to enhance their competitiveness. The BDC has positioned several specific activities to assist businesses under the trade assistance portfolio. These activities include the following:

- The Loan Guarantee Programme;
- The Approved Small Company Status;
- Quality and Environmental Management Systems;
- Best Practices Surveys and Policy Formulation;
- Market Entry/Access Research; and
- Export Competitiveness Study.

Once a business is classified as small or medium it can apply for Approved Small Company Status. In terms of the Approved Small Company Status this designation is granted to Limited Liability Companies allowing them a 25% corporation tax relief for five years. The qualification criteria for companies include the following:

- Be locally owned and controlled;
- Not have as a shareholder any other company holding shares directly or indirectly through its nominees;
- Be a limited liability company;
- If incorporated on/after 8 January 1998, not be as a result of splitting or restructuring of an existing company;
- Have machinery, equipment and working capital, the value of which does not exceed TT\$1.5 million;
- Have potential for creating jobs;
- Employ at least five permanent persons;
- Make optimum use of locally produced raw materials; and
- Maintain accounts which are audited by an accountant who is a member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT).

A nominal processing fee of \$500 is charged for this service. Once the certificate is granted it is valid for one year; recipients must reapply annually and continue to meet the outlined eligibility criteria.

In terms of Best Practices Surveys and Policy Formulation, the BDC undertook a benchmarking to international best practices survey. As part of the initiative nine companies in the printing and packaging sector were internationally benchmarked in an effort to lead and inform changes in their business processes with the overall aim of improving their international competitiveness.

Also as a component of policy formulation, firstly, the BDC conducts industry sector studies; these are intended to inform and/or enforce government policy and institutional capacity-building initiatives. Examples of these activities include a fish and fish processing study involving 20 fish processors and 14 public sector organizations. Secondly, assessment of important agreements and initiatives that will impact on the sector are sometimes undertaken so as to make the information readily available and presented for ease of understanding by SMEs. As an example in early 2007 the company produced a document entitled “Explanatory Document for the Trade and Economic Co-operation Agreement Between CARICOM and Cuba”. This initiative was undertaken and the document produced specifically for the distribution to the SME sector.

The document outlined the Trade and Economic Cooperation Agreement co-signed by the Caribbean Community (CARICOM) and the Government of the Republic of Cuba in July 2000. The document also highlighted that the said agreement was a critical component of Trinidad and Tobago's trade negotiation programme as the country pursued market access opportunities for local manufacturers and services providers. It was also highlighted that the Cuba/CARICOM Trade Agreement would provide Trinidad and Tobago manufacturers and exporters with access to the Cuban market, which has in excess of 11 million customers. And that government views the Agreement as another stepping stone towards formalizing the trade relationship with Cuba and it is expected to evolve into a full-fledged Free Trade Agreement in the longer term. The agreement states "In support of our manufacturers and service providers, Trinidad and Tobago is seeking to maximize trade opportunities with Cuba through the establishment of appropriate representation in that country, in particular the Trade Facilitation Office. We believe that representation 'on the ground' is a key factor in strategically positioning Trinidad and Tobago and other CARICOM exporters, to reap the benefits of this potentially lucrative market".

(ii) Business restructuring

This service targets clients whose businesses are experiencing significant challenges and may even be on the brink of bankruptcy. The BDC works along with clients to reengineer their operations based on an in-depth analysis of their operating systems. The approach which is used can be described as a problem-solving orientation. A major aim of the approach is to underpin the business turn-around with efficiency and innovation. The BDC continuously promotes these two features as major building blocks to local businesses competitive advantage.

(iii) Project management

One of the other services identified by the Company as an important contributor to sustainability is project management. The intent of this unit is to source funding from international donors in order to implement projects beneficial to the SME sector. This involves managing projects geared towards SME development on behalf of the International Financial Institutions (IFI) and the donor community. In the past five years, however, there have been no major projects managed by the company.

(iv) Consultancy

The BDC works along with clients to develop business solutions geared towards improving productivity and competitiveness while ultimately contributing to their sustainability. This close collaboration with clients is instrumental in identifying the root problems, the resulting symptoms, developing of specific targeted solutions and implementation plan, implementing the suggested solutions and assessing the impact of the intervention. In essence by way of this support the BDC works together with its clients to improve the profitability and competitiveness of their business by identifying problems, implementing solutions and measuring their impact. The Consultancy Services Unit works with clients in the following areas:

- Market research
- Feasibility analysis
- Preparation of business plans
- Strategic planning
- Operational planning
- Process improvement

(v) *Training and business advisory*- *Training*

Training initiatives offered by the Company can be divided into two basic categories. Firstly, several training programmes are developed based on the needs of specific clients as identified in an initial collaboration outlined in the consultancy initiative. These interventions include, for example, detailed needs assessment and cause analysis, an agreement on performance measures to be used to assess performance levels pre- and post-intervention, an agreement on systems for tracking the performance of training participants and an evaluation of the effectiveness of the training and provision of feedback to the client. Secondly, training is offered in areas that are of critical interest and particularly specific to the six sectors on which the company focuses. These are: food and beverage; metal processing; leisure marine, including yachting; information and communication technology/electronics; and printing and packaging. Such training is referred to as sector specific training. Within this said context, general management issues are also addressed to enhance the managerial capacity of those SMEs. The workshops that have been hosted over the last five years include the following:

- Health, Safety and Environment;
- Quality Management Systems;
- Cleaner Production and Eco-Efficiency;
- Executive Development Training;
- Hazard Analysis Critical Control Points (HACCP); and
- Good Agricultural Practices.

- *Business advisory forums*

In terms of advisory, the BDC continuously liaises with clients to determine their support service needs. Where common needs are identified, the BDC organizes special business advisory forums to disseminate information that addresses those needs. This approach is undertaken firstly so as to ensure stakeholders involvement and buy-in and secondly to make the BDC's operation more demand driven in the provision of its services. The outputs from the business advisory forums also inform the inputs to training activities, business restructuring and the consultancy services which are offered.

(vi) *Export promotion*

It is important to note that export promotion was originally the responsibility of the Tourism and Industrial Development Company Limited (TIDCO). However, with the transformation of this company to the Tourism Development Company (TDC) in 2002, the export promotion portfolio of the then TIDCO was transferred to the MTI. In 2006 the Ministry thought it prudent to transfer the export promotion portfolio to the BDC since it is integrally linked to the strategic goal of enhancing the international competitiveness of SMEs. This is so, for, if SMEs are to engage in exporting, their operations must be internationally competitive since it is firms and not countries that compete. At present this responsibility falls within the purview of the VP, Business Development.

Within this key business area the BDC facilitates the participation of SMEs in regional and international trade fairs. Entrepreneurs are usually invited to be a part of the Trinidad and Tobago Pavilion at several international trade fairs. They are expected to meet the cost of travel and accommodation while the BDC deals with logistics and exhibition space. The trade fairs chosen usually

focus on the six sectors identified by the government and usually take place in countries with which Trinidad and Tobago has trade relations. Some of the fairs are as follows:

- Food & Beverage Industry - Fancy Food Show
- Printing & Packaging Industry - LABELEXPO Americas
- Yachting Industry - International Boat Show
- Havana Fair, Cuba

(b) Support services/instruments

In addition to the six business areas outlined above, the Company offers Financing support – Loan Guarantee and Leasing Facility, Research and Development Assistance and an online Business to Business Portal service (SMEXCHANGE). These support instruments are all discussed below.

(i) *Financing*

One of the core services offered by the BDC is the provision of financing to businesses in the SME sector. This was so from the days of the then SBDC which is now the BDC. The two flagship services in the area of financing are:

- The Loan Guarantee
- The Leasing Facility.

- *Loan Guarantee Programme*

The Loan Guarantee Programme is specifically designed to assist existing and/or start-up businesses which include sole proprietors, partnerships, franchises, co-operatives and limited liability companies. These businesses must be owned and operated by citizens or residents of Trinidad and Tobago, operated for profit and engaged in legitimate business activities. The BDC acts as a guarantor for the loans by providing part collateral to secure funding. The range of guarantee offered is from \$50,000 up to a maximum value of \$500,000 or up to 85% of the loan value while the maximum repayment period is seven years. These funds can only be used for working capital financing, inventory purchases, revolving loan facility, purchase of an existing business as a going concern and the purchase of equipment. It does not cater for long-term business upgrade and restructuring which may be needed so as to face global competition. The Loan Guarantee Programme is part of the Trade Assistance Portfolio. Several lending agencies including commercial banks, credit unions and other lending institutions participate in the Loan Guarantee Programme thus providing the client with a choice of lenders. It must be noted however, that a guarantee is requested only after the loan is approved by the lending agency.

- *Leasing*

The BDC offers a leasing alternative to the Guarantee Programme which is based on the traditional collateral-based lending. This facility is available through a company that was originally established as the SBDC Leasing in 2001. It was designed to facilitate the acquisition of equipment and machinery through financial leases. The original target market of the company was local entrepreneurs. However, with the transformation of the SBDC to the BDC in 2002, SBDC Leasing was also transformed in 2005 to the Caribbean Leasing Company Limited which focused on providing its leasing services to Caribbean entrepreneurs.

The company is involved in four areas of activities:

- (a) Purchasing of machinery / equipment required by clients;
- (b) Facilitation of the leasing process by ensuring that the machinery and equipment are received in good working condition and that they satisfy the client's needs
- (c) Management of assets to ensure that machinery/equipment are maintained impeccably and put to intended use
- (d) Disposal of the machinery/equipment in accordance with agreement with clients, at the end of the lease term

CLCL offers two main leasing products, EZ Lease and Smart Lease. For both of the leases all payments are 100% tax deductible.

- *EZ Lease*

This is based on the traditional lease arrangement and is referred to as a "Straight Lease". In this case leases facilitate the purchase of new or used equipment or machinery by a business.

- *Smart Lease*

This is a "Sale and Lease Back" arrangement where the CLCL purchases the equipment from the business and leases it back to the business for up to 80% of the value of the equipment. The terms of the CLCL leasing facility are as follows:

- Minimum lease value is TT\$25,000;
- The primary period of a lease is a maximum of four years
- The cost of insurance, repairs and maintenance is the client's responsibility
- CLCL retains ownership of the asset(s) while the client retains possession and use of the asset once the lease payments are maintained
- A security deposit is required following the successful processing of an application

(ii) The Research and Development Facility

The BDC manages this grant facility on behalf of the MTI. It targets small and medium sized businesses in manufacturing and services that need to enhance competitiveness and profitability through the introduction of specialized technology and/or innovative ideas. Research projects funded focus on process improvement, product development and innovations in technology management systems and industrial engineering, for example, logistics and supply chain management. Interested companies can access a maximum grant of \$100,000 annually to cover up to two thirds of the cost of the research and development project. The facility is also available to businesses that are engaged in an alliance in which case, a maximum of \$200,000 can be accessed. In terms of alliances it is interesting to note that this facility does not focus specifically on the promotion of clusters and networking among enterprises. This can be seen as a fundamental weakness given that inter-firm cooperation has proven to be a useful tool for facing the pressures of increasing global competition and in enhancing technological capabilities and innovativeness, which are essential factors to the development and growth of sustainable SMEs.

The eligibility criteria for funding businesses under the research and development facility are as follows:

- Be a locally owned and operated business
- Must be able to contribute a share of at least 33 1/3% of the cost of the proposed project
- The business must be in existence for at least two years
- Investment in non-property assets of \$50,000 - \$5 million
- Annual sales turnover between TT\$50,000 and \$5 million

The BDC has implemented a rigorous monitoring system in order to ensure prudent management and accountability of this facility. The process requires the grant recipients to submit status reports and quarterly reports. In order to track progress and impact, periodic site visits are made by representatives of the BDC to validate and verify activities and an annual evaluation report.

(iii) SMEXCHANGE

This online business platform is a Business-to-Business Portal that is designed to bring buyers and sellers and other stakeholders to post and exchange products and services. The facility is open to SMEs involved in legitimate businesses who service local, regional and/or international markets. The major benefits and features of the SMEXCHANGE are as follows:

- Access to SME E-business guide;
- Examine case studies
- Compare hardware and software costs
- Upload your company profile
- Retrieve a list of E-business service providers
- Manage your company profile
- Access our E-business activity schedule
- View the E-business glossary of terms
- Business opportunity portal

In addition to the services discussed, the BDC also engages in other activities to support the development of the SME sector. The BDC also supports successful businesses by recognizing their performance through its Excellence in Business Awards Initiative. This is an annual event which is hosted in partnership with Republic Bank Limited. This initiative recognizes excellent performance in three categories which are deemed necessary for growth and survival in today's competitive business environment: Excellence in Quality, Excellence in E-Commerce and Excellence in Environmental Management. In addition to cash awards the activity provides exposure and some level of branding for the participating businesses.

Table 6: Summary of BDC Operations 2002-2006⁶

Year	Number of Leases	Dollar Value of Leases (TT\$)	No. of Loan Guarantees	Dollar Value of Loan Guarantees (TT\$)	Training and Consultancy	SMEX-CHANGE	Project Management Services
2006	32	\$5.9 m	142	\$8.2 m	250 Companies involved in Training	337 registered businesses	
2005	40	\$17.2	83	\$7.0m	1,028 Entrepreneurs exposed to Management and other Technical Training such as HACCP		
2004	25	\$7.6	82	\$3.2m	297 Companies involved in Training		30 agribusinesses benefited from CARIFORUM Agribusiness Research and Training Grant Fund.
2002	Not in the report	The leases issued in 2001 and 2002 totaled >\$10 m	275	\$5.4m	5,500 individuals particularly in the Small Business Sector		8 agribusinesses benefited from CARIFORUM Agribusiness Research and Training Grant Fund for a total value of US \$141,985.17

Source: Extracted from the Company's (BDC) Annual Reports

E. NATIONAL ENTREPRENEURIAL DEVELOPMENT COMPANY (NEDCO)

1. Introduction

NEDCO of Trinidad and Tobago was created in 2002 to be the implementing agency for government's policy on small and micro enterprise development and the government's strategic focus in congruence with the vision of the MSME sector and Vision 2020. The Cabinet Note which established the organization outlined the following objectives for the organization:

- (a) To promote and facilitate the formation, growth and development of small and micro businesses in Trinidad and Tobago and of entrepreneurship in the sector
- (b) To encourage, support and nurture the development of the sector

⁶ The Annual Report for 2003 was not available.

- (c) To foster and encourage entrepreneurship and enterprise development generally, but particularly among the disadvantaged, youth and women in the communities of Trinidad and Tobago

NEDCO'S Strategic Plan (2005-2007) identifies the VISION of the organization as "the catalyst in the development of an entrepreneurial culture in Trinidad and Tobago, in which citizens develop and demonstrate the capacity for self-sufficiency, thus creating wealth and empowering communities".

The MISSION of the organization was outlined as "to contribute to national development by empowering individuals and communities to achieve financial independence, through sustainable employment derived from the provision of support and promotion of small and micro business initiatives".

The goals of the organization are identified as follows:

- (a) To facilitate the enhancement of the small and micro business sector in Trinidad and Tobago
- (b) To enhance the success/survival rate of small and micro enterprises in Trinidad and Tobago
- (c) To function as a catalyst for the enhancement of entrepreneurship in Trinidad and Tobago
- (d) To be a major contributor to the economic and social development of Trinidad and Tobago
- (e) To be a sustainable enterprise
- (f) To facilitate non-traditional business sector development

The objectives of the organization are identified as follows:

- (a) To facilitate the establishment of 5000 new businesses annually
- (b) To provide the support and resources necessary to serve the legitimate needs of the small and micro industries in Trinidad and Tobago
- (c) To use entrepreneurship as a means of developing all sectors of the society, particularly the disadvantaged, youth, women, rural communities and urban enclaves
- (d) To provide and market a range of programmes and services, with emphasis on personal and business development to ensure the sustainability of the small and micro enterprise sector
- (e) To provide loans to the sector at preferential terms on a sound and collectable basis
- (f) To utilize surplus funds profitable for the benefit of shareholders and clients
- (g) To conduct lending activities in a professional, legal and ethical manner
- (h) To access and secure grant and low cost development funding through strategic alliances
- (i) To establish a loan portfolio based on sound risk management principles that are relevant to the MSME sector

(j) To maintain an effective and efficient organizational structure

Interestingly, none of the goals or objectives, the mission or the vision of NEDCO speak directly to the issue of promoting and building competitiveness within SMEs. These goals and objectives seem not to be based on an understanding that it is firms that compete, not nations. Only firms can produce differentiated products that can be exported to sophisticated consumers and sold for a premium. A government can improve the environment around firms, but it must not be paternalistic, for such behaviour generally leads to uncompetitive enterprises. Governments may feel an overriding sense of responsibility for the success of enterprises but historically have been unable to create an environment supportive of sustainable competitive advantages. When governments take such a paternalistic approach, businesses become under-responsible for their future since they grow accustomed to a lack of real competitive pressure and rely on artificial advantages such as government protection and subsidies. This cycle must be broken and, to do so, government leaders need to rethink their fundamental assumptions about national development. The only source of real competitiveness that can bring sustained growth and higher incomes to a nation's people is a strong private sector. For the government's part, it must recognize that it cannot be over-responsible for the private sector's success.

2. Institutional characteristics

(a) Corporate governance and organizational structure

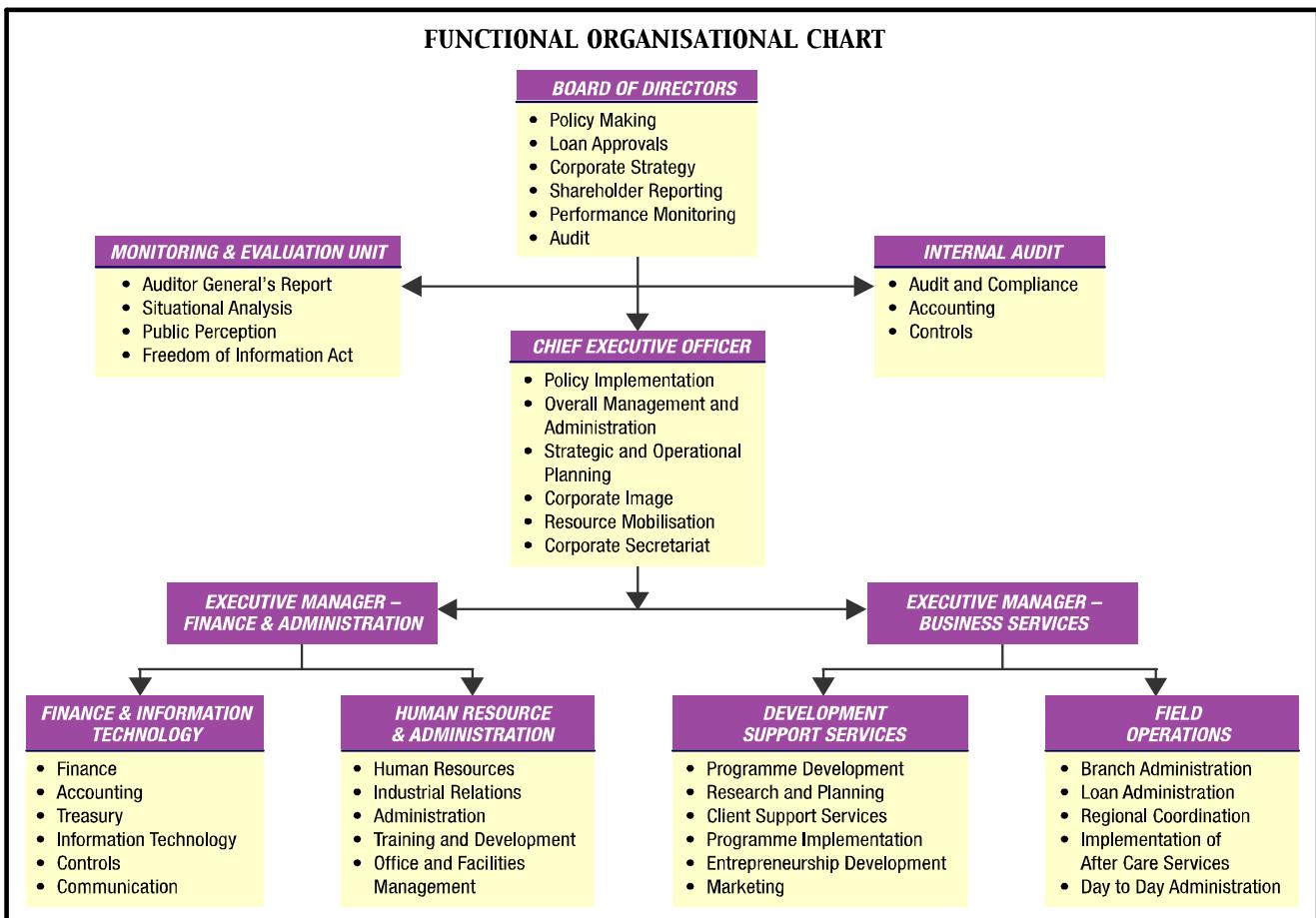
NEDCO's line ministry is the Ministry of Labour and Micro and Small Enterprise Development. Thus, the government defines the mandate of the company and appoints a team of five to nine persons to form the Board of Directors to chart the course of the company within the context of its mandate. The members of the Board must include individuals with proven experience in law, accounting, finance, banking, general management, construction, information technology, and manufacturing. The Board must also include a representative from Tobago. The Chief Executive Officer is an ex-officio member of the Board. Certain requirements were later revised whereby the Chairman of the Board could also be an appointed person from within the public and private sector.

NEDCO has a functional organizational structure which is headed by the Board of Directors. At the operational level, the organization is comprised of two main divisions – Finance and Administration and Business Services. These divisions are subdivided into the following departments:

- Human Resource and Administration
- Finance and Information Technology
- Development Support Services
- Field Operations

At the operational level this original structure, over time, has undergone some adjustments.

The Business Services Division has been operating with three business units whereby the Loans Department performs the duties for the Field Operations. The Development Support Services have been separated and the Entrepreneurial Training Institute and Incubation Centre (ETIIC) facility performs such functions. The Marketing and Communication functions have been merged as a separate business unit and renamed as Corporate Communications. This unit is effectively the communication and marketing arm of the organization and reports to the Executive Manager of Business Services.

Figure 2: Summary Organizational Chart of NEDCO

Source: NEDCO's Strategic Plan 2003-2005

3. Key business areas and support services / instruments

NEDCO has 10 branches called Regional Enterprise Development Centres (RED Centres); there are nine in Trinidad and one in Tobago. There are also two training centres called the ETIIC, among other activities, these centres are to transform business ideas into robust business enterprises. As its core business the organization provides loans and general services to its clients. However, in the course of delivering the services as dictated by its wide ranging mandate, NEDCO's thrust and emphasis has been on entrepreneurial awareness, financing, dissemination of information and training initiatives. The general services provided include:

- Financing
- Training
- Conference and meeting facilities
- Secretarial support
- On site business consulting
- Shipping
- Library facilities

The NEDCO services model operates at four distinct levels. For ease of reference the four tiered service model can be outlined as:

Level 1: Provides appropriate assistance to the target population.

Level 2: Processes clients' loan applications in an efficient manner.

Level 3: Ensures that sustainable businesses are started so that financial commitments to the company could be met. Sustainable is defined as: A business that breaks even by the eighteenth month of operation and provides the client with an income of at least \$1,000.00 above the poverty line.

Level 4: Provides ongoing support to businesses to help them become sustainable.

(a) **Financing**

In terms of financing, notwithstanding the organization's mission, a specific mission was established for the loans operations and recoveries department which is "to provide financial services and support to new and existing entrepreneurs within the SME sector and to ensure the effective and efficient functioning of the overall loan portfolio to ensure self-sufficiency". There are also specific objectives which are identified for the loan operations and recoveries department. The following are the objectives for that department:

- (a) To provide financial assistance in the form of loans for qualified clients
- (b) To utilise financial resources in a grounded methodology that will ensure the self-sustainability of the organization and provide financial support for new clients
- (c) To enhance product offerings via product innovation or product development
- (d) The development and implementation of proactive strategies to minimise delinquency within the disbursed loan portfolio in conformity with said policies
- (e) Achievement of reduction in overall delinquency rate to 10%
- (f) Formulation of a structured recoveries unit with responsibility for all RED Centres

In the granting of its loans NEDCO'S evaluation process focuses on Character Evaluation, Capability Evaluation, Capital-Equity Analysis, Client current/imminent condition analysis, Financial Analysis. In the case of the client current/imminent condition, the analysis focuses on the condition of both the client's personal circumstances and business environment, which may negatively or positively affect the client's ability to repay the loan. Since its operations, NEDCO's interest rate has remained at 8% per annum and the following loan limits were established:

2002 - 2004	\$30,000.00
2004 - 2006	\$50,000.00
2007 - Present	\$100,000.00

If someone successfully repays the \$100,000.00 they can then be eligible for another loan to a maximum sum of \$250,000.00. Since its inception NEDCO has granted 8,317 loans. As at the end of

2007 the total sum of loans granted was TT\$183,000,000.00⁷. The breakdown of the number of enterprises receiving loans are as follows:

Table 7: Number of Loans Granted by NEDCO: 2002 – 2007

YEAR	LOANS GRANTED
2002	1078
2003	964
2004	1304
2005	2001
2006	1678
2007	1346
TOTAL	8,371

Source: NEDCO Office Records

The loan limits which are indicated above raise the question as to whether these sums are really adequate funding for the promotion of micro and/or small enterprises. Interestingly the SBDC's (which pre-dated NEDCO) maximum guarantee for the funding of SMEs was \$250,000.00. In 2002, the said year NEDCO was formed, the SBDC increased its guarantee sum to \$500,000.00. Against this background and also from a practical point of view one must contend that these limits are aimed at the financing of micro and not small enterprises. These limits effectively mean the loans granted are not aimed at one component of the organization's target group - small enterprises.

This “micro enterprise bias” in the funding limits which are established is well articulated in a 2007 study which states “a strong correlation has emerged between the average loan size, sales and profitability. While 36% of the sample borrowed \$10,000.00 or less, 39% of the clients had annual sales between \$6,000.00 and \$40,000.00, which have resulted in 32% having a profit margin of \$2,000.00 to \$20,000.00 per year. This data could raise significant questions on the sustainability of one-third of NEDCO's client base. This could have a knock-on effect on the long term sustainability of NEDCO once it chooses to concentrate such a large percentage of its resources on the micro business sector at the expense of providing guidance and support for the development of the small business sector. Only 7% of the respondents had sales of over \$200,000.00 while 8% enjoyed a profit margin of over \$140,000.00”⁸. This ought to be a matter of concern given that small loans will tend to have high average costs of administration. Associated with this will also be the need for high levels of on-going monitoring and post loan evaluation. This scenario may partly explain the lack or low level of post loan monitoring and follow-up which is identified by many borrowers as a weakness of NEDCO's overall operations.

Another issue which is just as critical relates to the stated goals and objectives of the programme and also the expressed target groups of the programme which are stated as “particularly the disadvantaged, youth, women, rural communities and urban enclaves”. The stated goals and objectives are a mixture of economic and social. Even more interestingly the Cabinet Note which established the organization speaks to both economic and social objectives.

The said Note outlined the following objectives for NEDCO:

⁷ One was unable to get an annual breakdown of this figure and the different types of enterprises which were funded from NEDCO.

⁸ See Parris, B. (2007) - A study to determine the extent to which NEDCO has promoted and facilitated the growth and development of small and medium businesses in Trinidad and Tobago and of the Entrepreneurship in the sector

- (a) To promote and facilitate the formation, growth and development of small and micro businesses in Trinidad and Tobago and of entrepreneurship in the sector;
- (b) To encourage, support and nurture the development of the sector; and
- (c) To foster and encourage entrepreneurship and enterprise development generally, but particularly among the disadvantaged, youth and women in the communities of Trinidad and Tobago.

In the context of entrepreneurial development programmes, those with economic objectives focus on business creation, while those with social objectives have as their main focus development of the entrepreneur. Business creation fundamentally involves matching people who have entrepreneurial characteristics with business opportunities and facilitating the business formation process. This involves identifying people who are entrepreneurs; in this case the focus is on the enterprise. Entrepreneur development fundamentally involves increasing the supply of people with entrepreneurial characteristics. It involves identifying people capable of being developed into entrepreneurs; here the focus is on the individual.

Strictly speaking only few of the stated objectives are economic and directly address business creation. Therefore the focus emphasizes social objectives. Given that in practice many of the target group are disadvantaged: women, youths, rural communities and urban enclaves; and the rationale: high unemployment, lack of skills among these groups for employment and job creation, and lack of skills and know-how necessary for business success, one can argue that such emphasis is logical. In the first place the achievement of these social objectives is developmental and therefore long term by its very nature. Secondly, if the focus indeed places emphasis on social objectives and was specifically aimed at the stated target group then the objectives were certainly too broad and also too many. Particularly in an environment where business culture among the local population is yet to be cultivated; it would have been more logical to start at a grass-roots level with first level self-employment which in essence will mean focusing on the issue of entrepreneurial development.

(b) Training

NEDCO aims to become a one-stop-shop for entrepreneurial support services. The ETIIC plays a critical role within this context. Its mission is “fostering entrepreneurship on the national and regional landscape and to provide start-ups with the critical professional and business advisory services to crystallize their business ventures”. The Institute’s primary objectives are:

- (a) To be an economic development tool designed to accelerate the growth and success of entrepreneurial businesses through an array of business support resources and services
- (b) To produce successful firms that transform into financially viable freestanding enterprises
- (c) To develop a supportive and stimulating environment for the entrepreneur
- (d) To provide common interlinked business services
- (e) To be a flagship institution generating entrepreneurial knowledge and informing entrepreneurship policy
- (f) To produce an entrepreneurial class capable of competing in the global market

The core activities of the Institute are - programme development, research and planning, programme implementation, entrepreneurial development, entrepreneurial policy and entrepreneurial training. With these core activities ETIIC focuses on non-traditional sectors that have been determined to possess the capacity to develop as competitive sectors thereby contributing to the growth and diversification of the national economy. These identified sectors are:

- Art and craft
- Food and beverages
- Fashion and fashion accessories
- Culture and eco-tourism
- Bed and breakfast operations
- Light manufacturing
- Indigenous entertainment

Interestingly these are not the same sectors which the BDC has identified as its specific areas of focus⁹. This certainly raises issues as it relates to consistency and compatibility of the government's policy position given that the BDC mandate, just as that of NEDCO, is specific to the SME sector. In fact within this context, the fundamental questions to be asked are firstly, should the targeted enterprises with which the BDC, on the one hand, and NEDCO, on the other hand, work be the same. And secondly, are these two State-funded agencies complementing or competing against each other. The issue is one of efficient and effective use of limited State funds. In reviewing one of NEDCO'S internal reports, specifically the section which dealt with a SWOT analysis, "fierce competition from other SME providers", was listed as a threat. This observation is instructive for the issue being discussed. The position taken is that for focus, improved sector coordination and the efficient use of resources it would be better to have clearer lines of demarcation as to the specific enterprises which each of these institutions serve.

With respect to the coordination between training and financing, an important observation from individuals interviewed is that the two different units tend to operate independently of each other. It was specifically stated that "ETIIC tend to act separate to that of NEDCO". As such the Loans Operations and Recoveries Department do not report to ETIIC on the SMEs which it finances. This effectively means ETIIC does not use the organization's client database and portfolio reviews to develop its training programmes for the sector. The training offered is generic and mainly aimed at the general public who have been the main participants of such programmes. The essential points to be made here are firstly, ETIIC does not offer sector specific training and secondly, the training which is offered is not problem-solving oriented in the sense that it does not address specific problems at the enterprise level. This stark reality at the operational level does not reflect the organization's aim to become a one-stop-shop for entrepreneurial support services.

ETTIC also conducts the Youth Entrepreneurial Success (YES) Programme. This training programme which is aimed at youths takes place three days each week over a period of one month. The respective subject areas of the programme are - communication, leadership, lifestyle management, information technology and business planning. The training concludes with the participants having to prepare a business plan; and at the end of the programme they are eligible to apply for a loan from NEDCO. The total number of individuals trained by ETTIC over the period 2002- 007 is highlighted in

⁹ As indicated earlier in the Report the BDC specific areas of focus are: food and beverages; metal processing; leisure marine, including yachting; information and communication technology/electronics; printing and packaging; and entertainment.

Table 8. There were another 4805 individuals who were trained by other companies other than NEDCO/ETTIC.

Table 8: Number of Individuals Trained by ETTIC: 2003-2007

Year	Number of Trainees under ETTIC Core Training Programmes	Number of Trainees under the YES Programmes	Total
2003	546	-	546
2004	668	-	668
2005	1177	214	1391
2006	1190	209	1399
2007	534	112	664
TOTAL	4115	535	4650

Source: NEDCO Office Records

Also, to some extent the nature of the market and the target group dictate the scale of business operations that can be contemplated. The scale of operations in turn has ramifications for the intensity of entrepreneurial characteristics, range and depth of management techniques and skills, sophistication of the feasibility analysis and business plan, depth of technical knowledge and skills. Nevertheless, at ETTIC all of the beneficiaries are exposed to the same course of training. However, the very composition of the groups of beneficiaries clearly indicates that there is need for different courses of training for the management and training requirements of these groups differ substantially; the technical knowledge and skills required for the different groups is also totally different. In essence for an entrepreneurial development programme to be of maximum benefit to groups of such varied characteristics, the programme ought to be different for each group.

However this approach is not used for the implementation of training programmes. Instead, a universal as opposed to a specific approach is used. This situation of mismatch of target group and training programme is further compounded by the fact that NEDCO has multiple objectives - economic and social. For where the emphasis is on economic development and creation of businesses the target groups should be people with relevant technical and managerial experiences and the desired commitment, as indicated by interest and access to personal resources. Whereas in the case where emphasis is on first time entrepreneurs without business or technical experience, as is the case with many in the identified target group, there has to be emphasis on the development of latent behavioural and technical potential so as to promote self confidence and initiative to the point where the individual can undertake enterprise.

This difference in needs is better understood if the potential entrepreneurs are looked at not on the basis of socio-economic groupings but rather on what development needs they have. This can be demonstrated by examining the characteristics of the proposed beneficiaries. For example a small business owner may need operational competence, an unemployed person may need self-confidence and a business idea and a farmer may need resources. Operational competence can be addressed by technical and management training; self-confidence can be addressed by motivational and behaviour training, a business idea can be generated by training aimed at opportunity guidance and access and preparation to win resources can be improved by training in feasibility analysis and business planning.

4. Strategic and operational orientations

NEDCO's operations and strategic orientation indicates a supply-oriented approach to enterprise development. This may be due to the fact that it was the earliest approach used by many governments in

their efforts to promote SMEs¹⁰. This approach is based on the view that the performance of the SME sector is weak in that it lacks certain managerial and other critical skills and inputs which, as a consequence, constrains the sector's growth and development. Generally with this approach there is no attempt to identify the sources of the deficiencies, whether they are internal to the enterprise or whether they are due to distortions within the wider economy. This inevitably leads to the creation of institutions aimed at providing assistance, such as provision of credit and technical and managerial assistance to correct the perceived deficiencies. The fact that the approach directly addresses the enterprise indicates the implicit assumption that the deficiency is within the enterprise and the wider macroeconomic framework is less constraining, particularly as it relates to the operations of SMEs. The supply-oriented approach can thus at best be described as symptomatic in that actions are undertaken on the basis of symptoms without further analysis as to the real causes of the deficiencies.

NEDCO certainly needs to assess its supply-oriented approach given some observable trends within its operations. One such trend relates to the fact that the organization is having increasing delinquency rates. It was observed that the "Increasing growth rate in delinquency was noted, for the period ended 30th September 2002 delinquency stood at 0% with the entire portfolio at risk valued at \$2,398,850. At 30th September, 2003 it was noted that delinquency stood at 8% with the amount in arrears almost equaling 30th September, 2002 entire portfolio for the amount of \$2,398,416. At as 30th September 2004 delinquency jumped to 21.9% and as at September 30th 2005 the growth somewhat leveled off at 23.8% on an absolute level not taking into consideration provisions"¹¹. Clearly this trend must be of concern from several points of view. Specifically from the points of view of return on investment, efficient use of public funds and the sustainability of the organization given that self-sufficiency is one of its mandates.

This scenario is not surprising given the earlier observations, firstly, about the mismatch of target group and training programme, and secondly, about the multiple objectives of the programme. It could well be that the entrepreneurs are not able to repay their loans due to poor business performance. The root problem here could be the capability of the entrepreneurs to successfully operate their enterprise and/or the viability of the enterprises. The mixture of the target groups with such great variation of characteristics effectively meant the course of training would not have addressed the immediate specific needs of the beneficiaries. Such training programmes should be designed after the undertaking of a needs analysis of the proposed target groups followed by careful construction of the required components, since the topics and the depth of coverage must be determined by an analysis of what is needed to manage an enterprise of the scale aimed at successfully. This "needs based approach" is particularly needed in an environment where business culture among the local population is yet to be cultivated. In this said context, motivational training is indispensable for target groups that do not have a tradition of owning and/or operating business enterprise.

Along with its wide-ranging mandate NEDCO also has the following specific responsibilities:

- (a) To establish and operate the Entrepreneurial Training Centre;
- (b) To establish and operate the Small and Micro Enterprise Mentoring Programme;
- (c) To oversee the small and micro enterprise lending operations at commercial banks, major credit unions and the Credit Union Development Bank

¹⁰ India was one of the early countries to develop a model for SME development assistance in the late 1950s and early 1960s. The approach was to create special State supported institutions and programmes with government resources to provide assistance such as financial, training, and improved technologies.

¹¹ Institutional Assessment of NEDCO (2006)

- (d) To operate directly the Small Business Entrepreneurship Programme
- (e) To operate urban and rural small and micro enterprise centers
- (f) To access non governmental sources of financing for the sector, especially financing from international agencies
- (g) To serve as a networking and information resource for the sector
- (h) To maintain a directory of small and micro enterprises
- (i) To provide or facilitate a range of advisory services to the sector
- (j) To provide directly or indirectly incubator facilities and industrial estate services for the sector
- (k) To access financing for the sector and generally serve as its advocate
- (l) To serve as the focal point for international contracts and for receiving and processing information, technical assistance and funding for the sector, and finally;
- (m) To assist with or provide business plans, feasibility studies and project profiles for the sector

Firstly, even with this wide ranging mandate, the focus of NEDCO is simply on the creation of enterprise as its strategic orientation does not address the fundamental strategic challenges of sustained employment creation, diversification of the economy and increasing exports. In fact close examination indicates the main focus is on employment creation and business creation. As indicated earlier business development and entrepreneurial development are not the same. Given NEDCO's focus on business creation, it gives no strategic focus on exporting among the SME client base so as to sensitize them to develop an outward (export) orientation.

Secondly, the organization is referred to as a finance institution in its Strategic Plan. It also states that it must be financially self sustainable. NEDCO has a mandate to create 5,000 new businesses per year. This again clearly demonstrates the emphasis and vision for the organization is simply that of enterprise creation. Achievement of this mandate has proven to be very difficult; in fact it was not until the organization was in its fourth year of operation that it created 5,000 businesses. If NEDCO is to be a self-sustaining financial organization it will have to develop its line of services and restructure its operations to be more demand oriented and market driven. This is certainly a political issue and moreso a question of how the political directorate will balance issues of efficiency versus issues of equity.

Given its overall operations, objectives and responsibilities, one may want to ask the question whether NEDCO is a financial institution or a developmental agency and how it can become self-sufficient. This question is directly linked to the issues of efficiency and equity since in attempting to develop a supply of entrepreneurs for business creation, a starting point must be determined. The starting point is usually a selection process. Selection is introduced for two main reasons. First, it is neither practical nor desirable for everyone to aspire to be entrepreneurs and so development should be directed towards those most likely to become interested and pursue the career. Secondly, there may not be sufficient resources to develop all those who desire to become entrepreneurs; therefore the resources should be spent on those most likely to succeed. The assumption is made that it is possible to identify those with the most potential to become entrepreneurs and to create businesses. The fact is, if the vision is

to build a competitive SME sector and to have a sustainable organization promoting SME development, these two issues - efficiency and equity – of necessity must be reconciled.

IV. KEY POLICY ISSUES FOR THE SECTOR

A. INTRODUCTION

This sector of the report is presented with an understanding that there is need to see policy formulation as a process which should be informed by changing socio-economic circumstances and guided by lessons learnt during the development process. The key policy issues confronting the sector as it develops are conceptualized, firstly, within the context of the performance of the various SME subsectors and their contribution to the national economy, secondly, the relevance, compatibility and practicality of the existing policies and, thirdly, the changes in the wider global economy which are driven by globalization and its associated forces.

B. COMMON PROMOTIONAL PACKAGE AND ITS ASSOCIATED PROBLEMS

The promotional institutions which are created have combined within a single agency the task of promoting SME and also providing the necessary technical and financial assistance for programme implementation. In summary, the common promotional package includes: extension of credit, technical and management training, marketing assistance and generally other forms of assistance. These services are usually offered on a subsidized basis, some entirely free, since it is believed the SME sector needs special help and is too weak to finance such services. These institutions are publicly owned and are often referred to as one-stop-shops. All that is needed for promotion is available within the institution and there is no need for the small entrepreneur to deal with another agency. This approach has led to highly centralized operations with very bureaucratic structures. Universally this approach and institutionalization to small enterprise promotion is very entrenched regardless of the ideology of the country.¹²

The results of the performance of these promotional programmes are less than expected, and did not achieve the results which were anticipated. A number of problems with this approach have become apparent.¹³ Primarily among them was the fact that the assistance reached few of the entrepreneurs who needed help. In many cases what actually happened was that the assistance was being utilized mainly by those who were better educated and politically placed to take advantage of the assistance. From discussions, one can infer also that there has been some political influence with regards to staff appointments and loan approvals. Such political interference and manipulations are quite possible given that these institutions rely heavily on public financing. Such challenges could mean that these institutions must constantly engage in political trade-offs which tend to lead to their operations becoming very costly in relation to the overall benefits which are derived.

Given that successful entrepreneurial development programmes must be designed with technological and market limitations in mind, this must be addressed at the policy level. Therefore as a policy issue, the type of managerial, technical/vocational training to be offered should be determined after undertaking market surveys of the types of businesses to be supported. The management topics to be covered and the depth of their coverage are to be determined by an analysis of what is needed to manage an enterprise of the scale, which is contemplated. Within this context NEDCO/ETTIC should segment their clients' database by product categories; in this way more meaningful analysis could be conducted as segmentation would allow for a deeper understanding of the product ranges within a product category, common challenges, maximum and minimum levels of production, demand and timing of raw material consumed and quality standardization.

¹² In referring to universal approaches to small enterprise promotion Levitsky (1992) stated, "the approach seems to have been similar as regards the institutional development to support enterprises" (p. 2).

¹³ These problems are well documented in Levitsky (1986,1992) and UNDP/Government of Netherlands/ILO/UNIDO (1988).

Also as a central policy issue the target groups which are to be the focus of State organizations such as the BDC and NEDCO must be carefully defined. For example, if business creation is the objective, the target group ought to be individuals already possessing entrepreneurial characteristics. Whereas, if the objective is that of entrepreneur development the target group ought to be individuals capable of being developed into entrepreneurs and not simply any and everyone. As a policy it is recommended that both objectives should be promoted. The fundamental issue is that there should be clear and separate guidelines for each objective, given that in practice they are different. There is a need therefore for a clear policy position on this matter. Within this said context, as it relates to employment creation and contribution to GDP on the other, the policy could be developed in such a way so that the objective for small enterprises is to contribute to employment creation. And the objective of contribution to GDP can be assigned to medium enterprises. In essence there will be clear lines of demarcation. Even though no selection scheme can accurately predict whether or not an individual can become an entrepreneur there must be a selection process with clear techniques to facilitate screening for the recruitment of individuals into the two different categories - business creation and entrepreneurial development.

C. EXCESSIVE LEVELS OF PROTECTION

A general criticism of the “common promotional package approach” is the fact that it tends to shield the enterprises from the competition of the market and at the same time it promotes a ‘free lunch’ mentality. This approach is not in the medium- to long-term interest of these enterprises since their existence is based on the dependence of promotional services. In the case of the BDC and NEDCO all their services are heavily subsidized; in the case of NEDCO some of the services are free. In effect these enterprises, when accessing support services, are shielded from market forces. However, in the absence of such services and exposure to free market conditions, many enterprises will no longer be able to function. Therefore this approach is somewhat counter to the National Enterprise Development Policy theme - “Forging a Competitive Economy through Partnership”.

It must however be admitted that some of the services which the supply side approach attempts to provide are needed by some of the SMEs at some point in time. The problem is that the approach taken fails to recognize the varied nature of these SMEs, the differences in the structure of the subsector in which they operate and even more important their levels of development. Failure to recognize this fact means that the supply side approach is too generalized to lead to any high level of success. One must also question the effectiveness of giving public institutions, which are known to be generally inefficient and bureaucratic, the direct responsibility of promoting private institutions, that is, SME in Trinidad and Tobago.

V. CHALLENGES AHEAD FOR THE SECTOR

Given the findings and the foregoing analysis, the challenges ahead for the sector are conceptualized within the context of:

- The policy issues resulting from the sector's development pattern; and
- Relevant key lessons from SME development.

This section will therefore focus on these two issues, and given these central issues certain recommendations will be outlined in an attempt to address these challenges.

A. POLICY ISSUES RESULTING FROM THE SECTOR'S DEVELOPMENT PATTERN

The sector's development pattern gives rise to certain critical issues which are useful to inform the way ahead. The key issues have to be interpreted within the context of the development necessities for the growth of modern enterprise in a globalized world economy. One of the main policy issues has to do with ways to create a net economic benefit which usually means increasing sustainable jobs. SMEs can only create jobs and wealth by seeking opportunities and by being efficient at taking advantage of these opportunities when they arise. Consequently, within this context a critical issue for policy formulation in Trinidad and Tobago is how to promote the enterprises which are innovating and creating jobs and what is the appropriate policy environment for the emergence of such innovative enterprises. Berry (1990) is of the view that the chief task in the study of SMEs in developing countries is firstly to ascertain in which industries they are most likely to make contributions to the overall growth process, secondly what conditions foster these contributions and thirdly how public policy affects them.¹⁴ However, the more critical issue that is to be addressed is what are the salient features of these enterprises and how to promote such features among all enterprises within the economy.

There is also a wider issue of how local SMEs will take advantage of the opportunities that are created by the trend of increased globalization. The opposite side of this increased opportunity is how these local SMEs will adjust to the threats which stem from the same process of globalization as a result of increased competition, particularly from external enterprises. The SMEs will have to compete with enterprises both internally and externally. This level of intense competition has to be taken as a given and must be recognized. It is clear that resisting a trend which is acknowledged as irreversible is not really a policy option.

A corollary to this international market focus is the need for competitiveness. Therefore another critical policy issue is how to improve the sector's competitiveness. The existing scale of operation and the level of skills and the technology used within most of the enterprises do not give them a competitive edge. Clearly involvement in international markets will create objective conditions which will cause the local SME sector to improve its competitiveness. However such competition by itself, even though necessary, will not be sufficient to improve the overall competitiveness of the sector; further it could also affect the enterprises negatively. This negative effect can come about as Lall and Kell indicated "competition both domestic and international provides a powerful stimulant to technological dynamism". They go on further to state that however "it is a double-edged sword: the full force of external competition from mature enterprises can prevent new entrants from acquiring a base of capabilities and so retard capability development".¹⁵ To improve competitiveness as a priority technology, technological capabilities and skills need to be improved since the use of more advanced technology will necessitate higher levels of skills. The direct and more decisive means of ensuring improved competitiveness is

¹⁴ Berry et al (1990, section 3).

¹⁵ Lall and Kell (in Meier ed 1995, p.365).

through investment in human capital. Therefore, improvement in the quality of the sector's human factor is just as essential as investment in new physical capital.

The development of technological capabilities, which is critical to the sector's competitiveness, is occurring slowly by way of the involvement of the BDC and NEDCO. However, the skills and research capabilities to develop such competencies to a large extent do not exist within the sector. The development of such capabilities would involve a conscious, prolonged and expensive process of training, acquiring information and interacting with other agents. This is a learning process requiring much effort and financial and human investment which most of the small entrepreneurs do not have. The development of such capabilities and improvement of skills within the sector will support long run and open competition; it will also provide many external benefits to the wider economy. Given the critical role of these capabilities and the external benefits which they provide, the question as to the effective role of the State in the development of these enterprises comes sharply into focus.¹⁶ Purely on the basis of market externalities and the fact that the market at this stage of the country's development will not facilitate the supply of such productive inputs there is a role for the State and agencies such as the BDC and NEDCO in their provision. The real issue however is what ought to be the specific role of the State in the development process.

B. RELEVANT KEY LESSONS FROM SME DEVELOPMENT

The lessons from small enterprise development should be carefully interpreted, particularly because of the heterogeneity of the sector and the fact that the economic contribution of the sector is influenced by the economic circumstances, the market or industry and the specific conditions within the enterprises. There are numerous lessons from the development experience of the sector.¹⁷ This focus will be only on those lessons which have relevance to the specific empirical findings and the structural features of the Trinidad and Tobago economy.

A key lesson from the developmental experience is the important role which stimulated demand plays in promoting such enterprises. Thomas et al (1991) indicated that, "policy reforms, especially those stimulating aggregate demand and particular market segments served efficiently by small and medium scale enterprise are the most powerful instruments for expanding the role of these enterprises".¹⁸ Experience also shows that this increase in demand need not come only from exports, but from public procurement in which case the State bureaucracy plays a critical role.¹⁹ Such a demand-driven approach led by the State can prove to be very useful in a small economy, such as that which obtains in Trinidad and Tobago, where the public sector is usually a major employer and source of demand and the private sector is still fledgling.

The experience of programmes aimed at promoting SMEs shows the importance of policy guidelines that focus on viable and efficient small-scale industries producing competitive products.

¹⁶ Investment in human capital and physical infrastructure by the State are usually justified because of the externalities or spillovers effects in the consumption or production of these goods and the inadequate incentives for markets to take them into account.

¹⁷ For more on the lessons from small enterprise development see Berry, et al (1990), Dawson (1993), Liedholm and Mead (1987) and UNDP/ UNIDO/ Government of Netherlands/ and ILO (1988).

¹⁸ Thomas et al (1991, p.32).

¹⁹ A very interesting example in which the State undertook such a critical role is given in Humphrey and Schmitz (1996). This is a case in Brazil where a public purchasing scheme involving the purchase of wooden products, among others, was led by the public sector. The impact on this programme on the town of Sao Joao do Aruara was quite significant. Before the programme started there were four sawmills with 12 employees in the town. Five years later, there were 42 sawmills with approximately 350 workers and nearly 1,000 people were directly or indirectly employed in the woodworking industry in a town of 9,000 inhabitants (p.1868).

Similarly, the experience with exporting is that small enterprises which are growth oriented are more likely to undertake export activity²⁰ and the initial moves abroad are most likely to be to geographically or culturally similar markets. In order to promote such exporting activities, State support is critical in the early stages since the start-up costs for exporters are high, particularly when the country as a whole is not known as an exporter.

The real constraints however are the entry or ‘sunk’ costs of gathering information on foreign markets, upgrading quality and establishing marketing channels. In the face of these constraints it is often difficult, without assistance, to encourage small entrepreneurs, particularly new ones, to export. This lesson is clearly instructive for Trinidad and Tobago since it has SMEs involved in exporting. The most effective approach for channeling such State support is to use a hybrid organization comprising State and private sector agencies. However, practical experience has shown that as export activities increase the private sector agencies take over and the need for public sector support diminishes or ends.

In many developing countries, SMEs are generally economically as well as politically marginalized. They have few possibilities to influence key political decisions and they lack the power to promote their interest. Due to these inherent weaknesses, they are frequently subjected to discrimination, for example, in the awarding of procurement contracts by the State and import regulations which are disadvantageous to these enterprises. Experiences have also shown that the formation of business associations among SMEs increase their influence and power within the economy.

Business associations play a key role in the identification of solutions to overcome these weaknesses. In the process, inter-firm linkages and networks gradually develop which lead to the exchange of information. The existence of such networks enhances the abilities of the enterprises to influence decisions at the political level, extend their market opportunities and also develop new capabilities to meet the requirements of the markets. This collective approach to finding solutions for problems also has lower transaction cost and facilitates mutual learning.

A key lesson for the development of the SME sector is an understanding that promotion of the sector should be based on an understanding of the causes for dissatisfaction with its performance. Within this context, there must also be careful differentiation between bottlenecks which are internal and those which are external to the enterprises. Fundamentally, internal bottlenecks are due to factors which are within the small enterprise and the entrepreneur has control over such factors. On the other hand, external bottlenecks are due to factors outside of the enterprise and the entrepreneur has little influence over such factors.²¹ This differentiation helps to identify appropriate promotional priorities and strategies. Experiences have shown that promotional strategies are more likely to succeed when they are based on such a ‘problem solving approach’ as opposed to promotional strategies which are based on ‘institutionalized universal principles’. This lesson is certainly instructive for NEDCO in terms of its training programmes and the role of ETIIC.

²⁰ This lesson is clearly reflected in the findings of Parker et. al.(1995). There it is stated that, “growing MSEs exhibited stronger marketing strategies despite facing competition that was as strong as that which faced stagnant or declining MSEs. Growing MSEs were more likely to be exporters or to consider exporting in the future” (p.65).

²¹ In discussing bottleneck factors of the small enterprise sector Meier (1993) indicated, “internal bottleneck factors are all those that appear directly within the small enterprise, or in other words, for which the firm itself is responsible. Here the problems of organization, technology, qualification of labour, methods of marketing, procurement and financing, as well as entrepreneurial competence have to be mentioned. External bottlenecks are all those that hamper the enterprise’s development, but on which it can hardly exercise any influence and, consequently, for which it cannot be held responsible. They are part of a given environment within which the small enterprise has to move. Two areas can be differentiated: bottlenecks in market relations, and bottlenecks induced by economic policy” (p.15).

C. POLICY RECOMMENDATIONS FOR THE SECTOR

The central aim of the policies for the sector is to lay the foundation for the development of a competitive sector, not simply one for employment creation. Such an approach is being advocated for it is more sensible than one which aims to protect enterprises from competition. These policies are identified with the understanding that they constitute only a specific component of the overall strategy for the country's socio-economic development. The policies recommended for the sector will address both the internal and external bottlenecks within the sector. Specific attention will be given to the promotion and strengthening of enterprise associations, the development of human capital with special emphasis on managerial and technical capabilities, the promotion and diversification of exports and the general strengthening of local capacity so as to build a more competitive economy. The involvement of the State in the promotional process will be determined by the objective conditions which exist within the Trinidad and Tobago economy. The State's general role should be to correct market and non market failures in ways which will increase the potential of the sector to contribute to the economy. On the basis of the findings and analysis outlined above the following recommendations are proposed.

1. The promotion of business associations

The gains from cooperation through business associations are based on the perception that the future returns of cooperation exceed the short-run gains that might accrue from the pursuit of self interest. These gains tend to increase the competitiveness of the enterprises. The promotion of business associations is identified for two specific reasons. Firstly, the possible benefits from such cooperation are clearly demonstrated by the global experiences of business clusters. Secondly, the intention is to build and strengthen existing success and to develop the sector on the basis of lessons which are learnt within the country's context. Further establishing and maintaining cooperative relations for business operations are difficult, particularly in societies where inter-personal relationships are based on particularism. To reduce this difficulty, the initial objectives of the associations must reflect the existing interest of entrepreneurs.

The small entrepreneurs will be the principal agents responsible for the promotion of such associations. These associations have the advantage of being able to provide both direct services to entrepreneurs and to represent the sector's interest at the level of economic policy formulation. This flexibility makes such associations appropriate for the promotion of the sector in the long run within a changing economic environment. The use of business organizations is a problem-oriented and efficient approach to promotion. The mechanics to facilitate the cooperative process will be both formal and informal. However, there is the need for incentives to attract entrepreneurs to such associations. The type of services which would be provided is part of the incentives to entrepreneurs. In reality such creative institutions are not designed on a drawing board but are the spontaneous responses to challenging situations.

2. The development of technological capabilities

Traditional comparative advantage based on regionally specific resource advantages will tend to decline in importance. The new comparative advantage is based on development of new products, technologies and competencies; and the main means of pursuing competitive advantages are through cost reduction and increased market penetration capabilities, which are achieved through technical or technological development and product innovation. Therefore, firms are increasingly relying on their capabilities to innovate in both products and processes so as to compete internationally. This capability is ultimately dependent on the firm's internal technological capabilities and human resources.

The main objectives of this policy should be:

- (a) The development of local capabilities to design and redesign production systems
- (b) The development of technology in light of local resources and national requirements
- (c) The building of product development and product design capabilities with special emphasis on the use of local raw materials in the initial stage
- (d) Improvement of the production techniques presently used within the sector
- (e) The identification and use of alternative raw materials so as to improve productive efficiency
- (f) The upgrading of the sector's capital structure and technological base

These objectives are not aimed at a 'big push' approach to technological development. They are, however, aimed initially at incremental adaptations and improvements of existing technology which will build capabilities to produce higher level technologies and more technology-intensive products and services in the future.

3. Promotion of export-oriented growth

Access to markets is a major constraint to the expansion of production within the sector and there is also a relatively low export propensity within the sector. The small domestic market is relevant only to those enterprises which are inwardly-oriented; but exports present opportunities to lessen the constraint which low level domestic demand places on expansion of production. Also as the means of communication improve and globalization progresses, the concept of a domestic market has become increasingly outdated and irrelevant to the growth of enterprises. The promotion of exports is then critical for the building of efficient enterprises and the development of a competitive sector, since exporting subject enterprises to higher levels of competitive pressure. The main objectives of this policy should be:

- The expansion of production within the sector
- Development of a competitive export sector
- Diversification of the sector's production base
- Improving the quality of products produced
- Identification of new export markets
- Development of non-traditional exports

The capacity to innovate within the sector will be critical for achieving success in export markets. Therefore the export-oriented growth policy is directly linked and compatible to the development of technological capabilities and international marketing skills.

4. Financing of small and medium enterprise

There exist quite adequate sources of financing for small and medium enterprises within the economy. However, what is needed firstly is the provision of seed capital and financing within the context of a developmental perspective. The developmental perspective is needed for existing financial institutions use evaluation criteria which discourage enterprises from focusing on long-term needs and also discourage them from funding long term development needs such as investment in worker education and the

development of technological capabilities. In terms of the start-up seed capital, a major constraint for entrepreneurs is the lack of ‘acceptable collateral’ which means the constraint is really one of access to finance and not necessarily availability of finance within the financial system.

The term “acceptable collateral” refers to the typical or orthodox forms of collateral which are used within the economy. These are cash, land, property and other marketable assets. However, there is a case for a wider interpretation of collateral to include what is now generally considered as non marketable assets, such as knowledge and level of training. When development needs are urgent and resources are limited, a society has to utilize all its creative energies; it has to experiment and learn from its experiments and change according to the lessons learnt. Given existing socio-economic realities, there is an urgent need for financiers and the State to redefine collateral for the purpose of enterprise financing. However, even if a redefinition of collateral is used, financing must still be subjected to free market conditions. To overcome these constraints there is need for alternative sources of financing which ought to be aimed at specific activities. The main objectives of this policy are:

- (a) The provision of start-up seed capital; venture capital institutions are very important here
- (b) The provision of long-term capital needs
- (c) The promotion of specific activities and specific subsectors
- (d) The stimulation of enterprise in non-traditional areas

The provision of finance must be linked to appropriate training and skills development. Financing of enterprises must be done so as to promote the building of efficient enterprises and not as a means of simply creating employment. There must be a clear institutional and administrative framework for the provision of finance and the monitoring of enterprises receiving financing.

In summary, notwithstanding these outlined policies the approach to promotion should not be too rigid. It should be flexible and be determined by the dynamics of the sector’s environment. As much as possible, the promotional measures should conform to the basic commitment of market orientation which will support in a dynamic way the long-run development of an efficient SME sector.

Table 9: Policy Matrix with Instruments and Responsibilities

KEY STRATEGIES	INSTRUMENTS	RESPONSIBILITIES
Formation of Business Associations	Establishment of Business Associations, strengthening of existing associations, incentives for promotion of joint marketing, bulk purchasing of raw materials.	Small and Medium Entrepreneurs
Development of Technological Capabilities	Incentives for upgrading of capital equipment, on the job training in product and process systems, programmes to facilitate exchange of labour between small and large enterprises.	Small and Medium Enterprise Associations
Promotion of Export Oriented Growth	Market identification, export promotion, establish of export standards, establish export infrastructure and insurance, provision of relevant market information.	Small and Medium Enterprise Associations
Financing of Small Enterprises	Use of human capital as collateral, financial incentives for special enterprises, incentives for locals living abroad to invest in local enterprise, establishment of a credit pilot project.	The State

Source: Author

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Annex I**Listing of Kind of Activity - Trinidad and Tobago System of National Accounts**

CODE	ACTIVITY
03	Petroleum Industries
Manufacturing	
04	Food, Drinks and Tobacco
05	Textiles, garments, footwear, and headwear
06	Printing, publishing and paper converters
07	Wood and related products
08	Chemicals and non-metallic minerals
09	Assembly type and related industries
10	Miscellaneous manufacturing
Services	
12	Construction and quarry
13	Distribution services including restaurants
14	Hotels and guesthouses
15	Transport, storage and communication
16	Finance, insurance, real estate and business services
18	Education and cultural community services
19	Personal services

Source: Trinidad and Tobago System of National Accounts

Annex II**Small Enterprises Contribution to GDP (2002-2006)**

Industry	2002		2003		2004		2005		2006	
	\$TT M	Per cent	\$TT M	Per cent	\$TT M	per cent	\$TT M	per cent	\$TT M	per cent
03	333.58	0.59	431.72	0.61	5,372.95	0.65	7,122.47	0.75	905.69	0.75
04	40.90	0.07	57.83	0.08	720.70	0.09	866.46	0.09	108.34	0.09
05	37.71	0.07	43.14	0.06	568.20	0.07	669.57	0.07	84.61	0.07
06	53.74	0.10	73.17	0.10	927.71	0.11	1,120.93	0.12	141.65	0.12
07	39.15	0.07	46.99	0.07	619.83	0.07	663.43	0.07	82.78	0.07
08	35.81	0.06	46.35	0.07	564.62	0.07	708.03	0.07	84.00	0.07
09	62.84	0.11	75.79	0.11	839.46	0.10	1,065.07	0.11	147.02	0.12
10	34.12	0.06	43.14	0.06	492.43	0.06	600.45	0.06	70.26	0.06
12	368.62	0.65	533.52	0.75	7,042.73	0.85	9,206.65	0.97	1,253.47	1.04
13	95.55	0.17	133.15	0.19	1,684.33	0.20	2,028.44	0.21	282.18	0.23
14	48.08	0.09	59.72	0.08	732.33	0.09	900.56	0.09	112.00	0.09
15	392.48	0.70	533.20	0.75	6,421.58	0.78	7,601.86	0.80	1,049.40	0.87
16	912.22	1.62	1,290.01	1.81	16,606.06	2.00	20,732.60	2.17	2,834.54	2.35
18	81.65	0.15	110.36	0.16	1,422.64	0.17	1,813.33	0.19	233.17	0.19
19	360.40	0.64	497.93	0.70	5,887.98	0.71	7,258.80	0.76	919.53	0.76
Total GDP	56,290.00	5.15	71,169.00	5.59	828,386.00	6.02	953,994.00	6.54	120,556.00	6.89

Source: National Accounts, Central Statistical Office, Trinidad and Tobago

Annex III**Small Enterprises Contribution to Employment
(2002-2006)**

Industry	2002		2003		2004		2005		2006	
	# of employees	per cent	# of employees	per cent	# of employees	per cent	# of employees	per cent	# of employees	per cent of total employed
03	1476	4.56	1531	4.36	1621	4.31	1861	4.65	1982	4.63
04	876	2.71	1012	2.88	1149	3.05	1131	2.83	1168	2.73
05	646	2.00	592	1.69	591	1.57	600	1.50	606	1.42
06	735	2.27	819	2.33	830	2.21	868	2.17	821	1.92
07	881	2.72	871	2.48	942	2.50	843	2.11	836	1.95
08	491	1.52	500	1.42	593	1.58	609	1.52	566	1.32
09	783	2.42	729	2.08	683	1.81	745	1.86	820	1.92
10	642	1.98	646	1.84	589	1.57	593	1.48	552	1.29
12	2733	8.44	3119	8.88	3521	9.36	3954	9.88	4348	10.16
13	11592	35.82	12724	36.24	13790	36.65	14553	36.35	16068	37.56
14	632	1.95	605	1.72	645	1.71	699	1.75	684	1.60
15	1863	5.76	1939	5.52	2118	5.63	2118	5.29	2341	5.47
16	4207	13.00	4698	13.38	5134	13.64	5635	14.08	6086	14.23
18	1019	3.15	1074	3.06	1213	3.22	1324	3.31	1398	3.27
19	3787	11.70	4248	12.10	4212	11.19	4502	11.25	4503	10.53
Total	32363	6.2	35,107	6.6	37,631	6.7	40035	7	42779	7.3

Source: National Accounts, Central Statistical Office, Trinidad and Tobago

Annex IV

**Medium Enterprises Contribution to GDP
(2002-2006)**

Industry	2002		2003		2004		2005		2006	
	\$TT M	per cent	\$TT M	per cent	\$TT M	per cent	\$TT M	per cent	\$TT M	per cent
03	518.87	0.92	536.74	0.75	8,098.62	0.98	8,527.19	0.89	1,178.60	0.98
04	17.90	0.03	24.37	0.03	202.60	0.02	256.65	0.03	30.96	0.03
05	17.83	0.03	15.03	0.02	162.43	0.02	115.11	0.01	18.18	0.02
06	21.90	0.04	36.00	0.05	515.77	0.06	593.97	0.06	70.37	0.06
07	17.56	0.03	22.21	0.03	292.92	0.04	377.03	0.04	35.11	0.03
08	37.63	0.07	41.63	0.06	346.10	0.04	558.01	0.06	75.55	0.06
09	77.09	0.14	82.84	0.12	794.09	0.10	1,241.11	0.13	148.58	0.12
10	23.51	0.04	24.77	0.03	288.30	0.03	664.04	0.07	83.91	0.07
12	36.97	0.07	123.05	0.17	1,465.55	0.18	1,751.70	0.18	229.44	0.19
13	2,725.29	4.84	4,005.93	5.63	48,910.37	5.90	63,461.35	6.65	8,826.30	7.32
14	36.47	0.06	50.30	0.07	731.84	0.09	786.62	0.08	92.30	0.08
15	223.98	0.40	319.73	0.45	3,508.90	0.42	5,877.74	0.62	789.19	0.65
16	465.45	0.83	669.10	0.94	8,444.91	1.02	10,806.01	1.13	1,420.17	1.18
18	1.37	0.00	1.85	0.00	18.67	0.00	19.85	0.00	2.51	0.00
19	27.75	0.05	36.98	0.05	518.68	0.06	571.91	0.06	70.67	0.06
Total GDP	56,290.00	7.55	71,169.00	8.42	828,386.00	8.97	953,994.00	10.02	120,556.00	10.84

Source: National Accounts, Central Statistical Office, Trinidad and Tobago

Annex V

**Medium Enterprises Contribution to Employment
(2002-2006)**

Industry	2002		2003		2004		2005		2006	
	# of employees	per cent	# of employees	per cent	# of employees	per cent	# of employees	per cent	# of employees	per cent of total employed
03	1193	6.74	970	4.49	1272	5.70	1176	4.83	1322	5.21
04	980	5.53	1051	4.86	718	3.22	758	3.11	717	2.82
05	824	4.65	511	2.36	441	1.98	294	1.21	324	1.28
06	365	2.06	468	2.17	567	2.54	576	2.37	565	2.23
07	582	3.29	592	2.74	659	2.95	704	2.89	530	2.09
08	652	3.68	500	2.31	356	1.60	494	2.03	551	2.17
09	786	4.44	634	2.93	485	2.17	670	2.75	628	2.47
10	230	1.30	191	0.88	178	0.80	347	1.43	344	1.36
12	1749	9.87	4969	23.00	5066	22.71	5267	21.64	5470	21.55
13	4411	24.90	5145	23.81	5394	24.18	6151	25.27	6727	26.50
14	416	2.35	442	2.05	555	2.49	513	2.11	497	1.96
15	1121	6.33	1216	5.63	1207	5.41	1754	7.21	1917	7.55
16	2608	14.72	3030	14.02	3319	14.88	3621	14.88	3806	14.99
18	441	2.49	481	2.23	424	1.90	399	1.64	403	1.59
19	1354	7.64	1409	6.52	1669	7.48	1616	6.64	1581	6.23
Total	17,712	3.4	21,609.00	4	22,310.00	4	24,340.00	4.2	25,382.00	4.4

Source: National Accounts, Central Statistical Office, Trinidad and Tobago