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PROCEEDINGS OF THE MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS, ORGANISATIONS AND AGENCIES

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REPORT OF THE MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS, ORGANIZATIONS AND AGENCIES

MEETING OBJECTIVES AND ACHIEVEMENTS

Objectives

The promotion of small and medium-size enterprises (SMEs) as a viable sector of the economy has been the focus of most Caribbean governments. To achieve this goal, a number of institutions, both private and public, have been established. However, the policy directives and guidelines that should drive the industry remain underdeveloped, uncoordinated and, in some cases, non-existent. The problems are exacerbated, in some instances, by the absence of a clearly defined policy on issues such as entrepreneurial promotion, technical and vocational training, credit facilities and industrial development.

The diversity of economic activities in the region lends itself to the establishment of SMEs, specifically tourism, agriculture, natural resource use, light manufacturing and, more recently, information technology. These provide a good climate for collaboration and cooperation provided that there is regional awareness of the strengths and weaknesses and the identification of areas where collaboration will enhance complementarities. This is only possible, however, when information is freely exchanged, linkages established and experiences shared.

In the context of the above, the Economic Commission for Latin America and the Caribbean (ECLAC) and the European Union (EU) Netherlands Antilles programme hosted a meeting to address some of the major issues and concerns, specifically:

(a) National and regional policies on SME development;
(b) National and regional structures established for service to the SME sector;
(c) Examination of financing and credit systems;
(d) Technological services, including new product development and processes;
(e) Prospective entrepreneur programmes;
(f) Collective purchasing;
(g) Information systems and delivery;
(h) Networking

The programme of the meeting appears at Annex 1.

Participants

The meeting targeted representatives from SMEs from both the private and public sectors and from the following Caribbean countries – Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and Trinidad and Tobago, as well as Aruba, Bonaire, Curacao, Saba, St. Eustatius and St. Maarten. Also in attendance were representatives from the following agency and organization: the Caribbean Industrial Research Institute (CARIRI), Trinidad and Tobago; the EU; GOPA, Netherlands Antilles; Inter-American Institute for Cooperation on Agriculture (IICA), Trinidad and Tobago; the Organisation of Eastern Caribbean States (OECS); the Scientific Research Council (SRC), Jamaica; and ECLAC, Santiago, Chile, and the Subregional Headquarters for the Caribbean, Port of Spain, Trinidad and Tobago. A full list of participants is included at Annex 2.

Achievements

Following three days of presentations and discussions, common trends and issues requiring immediate attention emerged. These include:

(a) The high cost of materials;
(b) The lack of information on markets,
(c) The lack of appropriate technology;
(d) The high cost of credit;
(e) The lack of training in business management; and
(f) The sensitisation on regional and international issues relating to standards and quality.

Based on the above, a number of decisions were taken and a plan of action for a regional programme was agreed upon. Among the decisions taken were:

1. The establishment of a network of SME agencies and practitioners;
2. Knowledge of all the elements of an effective network;
3. Knowledge of the services available;
4. Identification of needs;
5. Maintenance of a networking system;
6. Cost of operations of a network;
7. The formation of working groups that would ensure measurable progress, no matter how small, towards the establishment of such a network.

Representatives from member States, institutions and entrepreneurs agreed to be part of the working groups in order to provide ownership to the programme. The groups below were formed from the representative member countries and/or organizations, with the lead role to be taken by the persons identified below. In some instances, representatives co-opted agencies or organizations operating in their respective countries. Members met during the final session of the meeting to define the respective scope of works and reported back to the meeting. Working group leaders are highlighted.

Working groups

Finance

Curacao; Guyana (**Ms. Manjula Brijmohan**); Jamaica; St. Eustatius and St. Maarten. Among the issues to be addressed by the members were:

- The strengthening of national financial institutions
- Criteria for lending
- Best policies for disbursement
- Non-traditional finance options
- Government policies
- Regional financial institutions
- Funding sources
- Needs of the entrepreneur.

Policy and structure

Barbados (**G. L. Sydney Simmons**); Belize; Curacao; Saint Lucia; St. Maarten; Saint Vincent and the Grenadines and Trinidad and Tobago. The group advised that the most important issue was the sharing of all information that was available.

Technology transfer, product development, standards and quality assurance

CARIRI (**Megnath Gosein**); Institute of Applied Science and Technology (IAST), Guyana; SRC, Jamaica; University of the West Indies (UWI); University of Curacao; St. Maarten and Trinidad and Tobago. The group proposed to:

- Identify the major technological barriers to SME development in the region
- Share information on all technical services available in the region
- Devise a plan of action that would include monitoring programmes.

Information, information technology and market intelligence

CARIRI; SRC (**Hawthorne Watson**); Bonaire; Saint Lucia and St. Maarten.

Human resource development and training

Belize; Curacao (**Carl Camelia**); Haiti; Jamaica; Saint Lucia; St. Maarten and UWI. The group will:

- Compile all the training and education material available in the region
- Share all information
- Assess the material to determine if it adequately met the needs of the target market.

Market access and transportation

Bonaire; CARIRI; Jamaica; Saint Lucia and St. Maarten (**Rafael Arrindell**).

Conclusion

It was agreed that the volunteers would be in regular communication with each other to ensure that objectives were achieved. The chairperson of each group would be responsible for drafting out the scope of work in the respective areas and circulate this for comment among the members before finalising and forwarding to the Science and Technology Unit of ECLAC by 30 June 2002.

PROCEEDINGS OF THE MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS, ORGANIZATIONS AND AGENCIES

Opening session

The meeting was opened by the Chairman of the session's proceedings, Mr. Cosmos Richardson, Permanent Secretary, Ministry of Commerce, Tourism, Investment and Consumer Affairs, Government of Saint Lucia. Mr. Richardson welcomed all delegates to Saint Lucia and thanked the organizers for selecting that country as the venue of the meeting. He commented on the importance of the SME industry, not only to Saint Lucia, but to all of the Caribbean, especially during this era of globalisation and noted that Caribbean countries had much in common and that their similarities far outweighed their differences, which were often used to divide the people of the region.

Ms. Len Ishmael, Director of the ECLAC Subregional Headquarters for the Caribbean, welcomed all delegates and formally thanked all partners and sponsors, specifically the European Union, ECLAC, Santiago, and the Italian Government, for making the meeting possible. She also made special mention of the Government of Saint Lucia for offering to host the meeting, the subject of which was very timely for a banana-producing country such as Saint Lucia. She noted that the limited access to European markets over the past 18 months had led to the dislocation of many persons who relied on banana production. This meant that the SME industry could serve as a viable alternative for income earning possibilities. In a wide-ranging address that covered the economic performance of the region from 2000–2002, with reference to all the major industries, Ms. Ishmael referred to the poor performance during that time, citing many different reasons, including the challenges provided as a result of globalisation and the 11 September 2001 attacks on the United States of America.

Mr. Rudolf Buitelaar, Industrial Development Officer, Joint ECLAC/UNIDO Industrial and Technological Development Unit, ECLAC, Santiago, gave a background to the meeting. He informed participants that the project on SMEs in the Caribbean was part of a wider programme for promoting competitiveness in Latin America and the Caribbean. He said that the SME development programme was started approximately six years ago by the Dutch Government with

an inventory of SMEs in Latin America, that was at present, the most comprehensive inventory available. While the focus was on Latin America, there were a few case studies from Barbados, Saint Lucia and Trinidad and Tobago. The main objective of the programme was technical assistance with emphasis on design and implementation of SME development policy. More recently, with assistance from the Italian Government, programmes on SME development in the Caribbean started with two video productions: "Getting started – SME development in the Caribbean" and "SME development in the Netherlands Antilles", which have been completed. A third video production on SME development in Haiti is scheduled to begin in the very near future. Mr. Buitelaar noted that the production of the videos and the convening of the meeting in Saint Lucia now signified that the programme which began in Latin America could now be considered as being truly regional in nature.

The Honourable Phillip G. Pierre, Minister of Commerce, Tourism, Investment and Consumer Affairs, Government of Saint Lucia, delivered the feature address. Mr. Pierre welcomed all delegates to Saint Lucia and, in his capacity as Minister for Tourism, expressed the hope that persons would get the opportunity to savour the sights and hospitality of what he described as the "most beautiful place in the world." He was proud that Saint Lucia had taken the initiative to host the meeting since it was another opportunity for the region to move closer to economic integration. He observed that while SME development in the OECS and the Caribbean was different from that in Latin America, the challenges experienced as well as their role in the development of the economy were similar. Minister Pierre outlined the background against which the meeting was taking place, alluding to the advanced stage of the Caribbean Single Market and Economy (CSME) and the challenges of globalisation and free trade. He pointed out that small business was a mainstay of small island economies, citing the fact that although the banana industry represented a large percentage of foreign exchange earnings in Saint Lucia, cultivation was done by small farmers who should be considered as belonging to the SME sector. In his address, the Minister mentioned the role of the Saint Lucian Government in ensuring a vibrant SME sector, including legislation and the development of a national industrial development policy through consultation with the public and private sectors. He also informed persons present that the Government intended to invest approximately $4 million in the form of direct investment in the SME sector over a four-year period. He added that the Small Enterprise Development Unit (SEDU) was to be transformed into a private sector oriented company, whose portfolio would be expanded to provide a full range of services. All the above actions were intended to ensure the sustainability of the sector. The Minister also noted that training was a very important part of the sector and that more than 500 persons had been trained in different aspects of SME development, including standards. He concluded by stating that the meeting should be used as a forum to share knowledge among all practitioners in the field. This was especially important because of the need for a level playing field for world trade.

Mr. Edwin Vos, the EU Resident Adviser based in the Netherlands Antilles, delivered greetings on behalf of the sponsors. Mr. Vos stated that the transition process for every Caribbean country would be slightly different. Underlying the process, however, was a need for economic integration if countries in the region, including those of the Netherlands Antilles, were to operate from a position of strength in the new global economy. With regard to its involvement, the EU maintained a "hands-off" approach at the entrepreneurial level, but worked instead with the organizations that provided the necessary support for SME development. He

observed that the SME sector was often the lifeline of survival for small island States, but it was unfortunate that this was not recognised by those within the public sector, since it was not always a national priority. He stated that nothing could be done for development of the sector if there was no specific policy and equally important was private and public sector collaboration. He also advised that the banking sector and other financial institutions must be included in national policy formulation. From a donor perspective, he advised individual governments to support the sector, since the donor was usually a facilitator and not in a position to enforce implementation of programmes for support of the sector. He reiterated the point that the support organizations which work with the target groups should play the major role in the development of the targets by increasing the degree of marketability and structure among other factors.

Mr. Donatus St. Aimee, ECLAC, Port of Spain, thanked all the persons at the head table for their presence and informative remarks. He then recognised the input and assistance given by Mr. Lothar Duelberg of the EU office in St. Maarten, who played a key role in organising the meeting and developing the programme. He gave a brief history of the project, which started with the production of the video of SMEs in the OECS. He expressed confidence in the fact that there was an interesting group of people gathered together in one forum, all of whom would take the opportunity to interact with each other to make for an informative three days. In closing he wished all a fruitful meeting.

Presentations by regional institutions

Representatives from regional organizations made presentations on the work of their respective units with specific reference to SME development.

- **OECS - *Dr. Samuel Scott***

  Development, growth and competitiveness of SMEs in the Eastern Caribbean business culture and environment, technology and productivity and access to capital markets

Dr. Scott noted that there was a history of SME assistance in the subregion from the United States Agency for International Development (USAID), for the period spanning the 1980s and ongoing until 2005. His presentation revealed the weaknesses inherent within the system that did not allow for positive growth and development of SMEs in the subregion. He observed that there were shifts in paradigms during the period and noted a lack of enterprise development in the subregion when compared with some of the smaller Asian countries. He offered a comparison of the natural growth path for SME development to what occurred in the Caribbean. In the United States there were six growth paths over a 30-year period, with four in Japan over 25 years and a similar time-frame for the Asian Tigers. In order for Caribbean economies to attain the level of development experienced in the aforementioned countries, Dr. Scott advised that more cohesive planning was required. He warned that the nature of planning in the subregion was not enough to encourage growth. The business culture within the subregion was largely private sector-oriented and unfortunately lacked corporate vision, according to Dr. Scott, with the distributive trade being the focus of most members of the sector. Dr. Scott added that other weaknesses that acted as deterrents to a successful SME sector

included the absence of a consistent policy for science and technology and a weak manufacturing base. A shift was also needed from labour-intensive investment to capital and knowledge-based investment. The private sector needed to change and adapt their strategic thinking and create ownership by lobbying for enabling legislation. There was an urgent need for the Caribbean as a subregion to address both demand-side and supply-side issues. For example, a manufacturer in Dominica might ship the same commodity to the same buyer as that of a manufacturer in Grenada, when mechanisms could be put in place to share the costs of shipping, thereby reducing expenditure and maximising profits for both parties. He noted that there was no target industry and no major product sector for market development. He also noted the non-existence of a niche market focusing on quality as well as quantity that could be identified as being manufactured in the Caribbean. Other weaknesses included the fact that there was no proper structure available to the sector for distribution, merchandising or even funds retrieval. The lack of proper and relevant physical infrastructure was also cited as an inherent weakness. He observed that the industrial parks consisted of large concrete structures that were not amenable to diversification or change. In concluding, Dr. Scott stated that all activities consisted of three stages – birth, growth and death. The most desirable stage was that of growth and it was unfortunate that the Caribbean was not even at the stage of birth, but rather in the throes of death. What was needed was more investment on innovation, research and development if Caribbean countries were to ever achieve a significant level of competitiveness in the global economy.

- **Small Enterprise Stimulation Netherlands Antilles (SESNA) –** ***Mr. Dwight Min Kon Kiem***

The SESNA Programme

The meeting was informed that the SESNA is a national SME support programme for the five islands of the Netherlands Antilles and is an agreement that was signed in 1998 between the Government of the Netherlands Antilles and the European Union. There is a financial component that provides credit to small businesses through the local banking institutions and a non-financial component that provided assistance on a needs basis. The services provided are not free of charge and is based on the cost-sharing principle.

- **Institute of Private Enterprise (IPED), Guyana –** ***Ms. Manjula Brijmohan***

Ms. Brijmohan gave some historical insight before giving background information on the IPED which, she said, was formed in 1985 and was the first private sector institution providing financial and non-financial services to the grass-roots level of entrepreneurs. The establishment of IPED was considered an absolute necessity, given the high level of unemployment at that time which, according to Ms. Brijmohan, was a result of the State's ultimate control of the economy. There are now five full-time branches and nine sub-offices with a wide geographic spread. IPED's objectives are to create wealth by empowering people and local resources development and to provide supervised credit to create a positive established social and economic environment in communities. Ms. Brijmohan noted that as with all other organizations, at the start there were resource limitations and an operational naiveté that created challenges, which led to a decline in performance. However, in 1998, a new general manager was appointed with a clear mandate to revitalise the micro credit loan window and remodel the organization to deal

with the challenges of the new millennium. As a result of all its experiences, both positive and negative, IPED has developed very strong capabilities in areas of best practices in credit methodologies, suitable loan product creation, rural development networks, international linkages with technical and financial service providers, in-house financial management and strong management information systems. In addition to their regular loan products, IPED has been able to develop relationships with other development projects including the United Nations Development Programme (UNDP) and the Ministry of Amerindian Affairs to establish credit facilities for the Amerindian population. It should be noted that the Amerindians now run this project independently of the Government, IPED and UNDP.

- **Rural Agricultural Development Authority (RADA), Jamaica – *Mr. Thomas Burton***

SMEs as a catalyst for rural development

As the previous presenter, Mr. Burton provided participants with some background information on Jamaica, generally, and then on the agricultural sector specifically. He noted that before the mid-fifties Jamaica had principally an agricultural economy with the sector contributing 31.5 per cent to Gross Domestic Product (GDP) in 1950. Since then there had been a continuous decline and by 1990 contribution had dropped to 5.2 per cent. Mr. Burton observed, though, that at the end of 2000 there was an increase to 7.1 per cent. The Jamaican Government in efforts to revitalize rural communities and prevent rural to urban drift has recognised that an expansion in training programmes that will provide the technology and management skills needed to support transformation of production systems is required. To this end several training programmes have been launched by a number of organizations, including the Small Business Association of Jamaica (SBAJ), the Entrepreneurial Centre of the University of Technology, the Jamaica Exporters Association, the Business Development Services Project, the National Development Foundation of Jamaica, and RADA. RADA is the extension arm of the Ministry of Agriculture. One of its mandates is to provide training to improve the standard of living of the farm family and to make it more competitive in the global marketplace. Training is provided in all agriculturally related disciplines. Mr. Burton's presentation included the various programmes conducted by RADA in their support of rural development, including a vegetable production programme where farmers are provided, on credit, with seeds of exotic vegetables by the Sandals chain of hotels. The produce is sold exclusively to the hotels and RADA provides all the required extension support for the cultivation of the crops. RADA's Social Services/Home Economics Department, in its outreach programmes and training exercises also seeks to empower communities by targeting unemployed persons and introducing them to agro-processing ventures, including banana, plantain, cassava, breadfruit and dasheen chips, tamarind balls, processing of peanuts into various products and "bammies" from cassava. Mr. Burton concluded his presentation by stating that one of the most daunting tasks facing small economies was to ensure full preparedness to face the challenges of globalisation. One way in which this may be done was for domestic producers to re-examine manufacturing processes and cost structures in order to maintain and improve competitiveness.

- **SME policy in Curacao – *Mr. Randy Curiel***

Mr. Curiel gave an overview of SME policy in Curacao, which included the definition of SMEs that included micro enterprises (less than five employees and an turnover of less than US$27,500 per annum); small enterprises as having between five and 10 employees and a turnover of less than US$275,000 per annum and medium-sized enterprises comprising of 10-50 employees and a turnover between US$275,000 and US$2,750,000 per annum. He identified the characteristics of SMEs in Curacao, revealing that 63 per cent of employment on the island came from micro enterprises, with trade, catering and business services dominating the landscape. Mr. Curiel outlined the problems experienced by both administrators and entrepreneurs by dividing them into three categories as follows:

(a) Business activities, with deficiency in price setting, in organizational and personnel management, inadequate financial administration and marketing;

(b) An unfriendly business climate where there exists a lack of information on government regulations, an inordinate amount of red tape, high interest rates and a general economic *malaise*; and

(c) Lack of a structured policy, including export policy, a shortage of assessment officers, very little access to credit, no overview of subsidy arrangements and not enough attention being paid to data collection.

What was required, he stated, was policy that would result in informed entrepreneurs, easy market access, professional entrepreneurs, and productive employees.

- **Caribbean Industrial Research Institute (CARIRI) – *Ms. Megnath Gosein***

Technological services in support of product development for SMEs

Mr. Gosein thanked the organizers for the invitation to attend the meeting. His presentation focused on the need for more investment into research and development in the region. He acknowledged that this was an expensive and capital intensive undertaking, the costs of which should not be borne by individual countries, but as a joint initiative. This was needed if the SME sector was to become a more vibrant part of the Caribbean's economic development. The above notwithstanding, some efforts were being made by different countries to work together and partnerships have been forged, for example, between CARIRI and the Saint Lucia Bureau of Standards. Agreements for use of CARIRI's services have also been entered into with the Governments of Antigua and Barbuda and Saint Vincent and the Grenadines. He said that CARIRI's laboratories were internationally accredited to those in the United Kingdom and institutions from as far away as Africa utilised the services offered.

Mr. Gosein observed that in the region, the emphasis is on production with very little attention paid to new product development. In the rare instance that this is done, it was often in response to a crisis in a particular industry, citing the example of the banana industry in Saint Lucia. He reminded participants, however, that while the support for new product development

was commendable, even desirable, it should be noted that in the developed world, 90 percent of new ideas never reached commercialisation. We should not therefore expect to be 100 percent successful in our quest for the commercialisation of new products. As an alternative to new product development, modification of existing products may be considered. He advised that more attention was needed in the area of product valuation before deciding to put a product on the market. This was vital, whether it was a new product or the modification of a product. In the case of small businesses, he said that too often, attempts to market a product were simply on the basis of the approval of friends and family. The testing of markets was a scientific process that required qualified personnel and involved a number of stages including regulatory requirements for the target market. CARIRI, he mentioned, was suitably qualified to conduct such evaluations. Increasing attention was also being paid to the production process and how this affected the environment, as well as the issue of intellectual property rights, which was especially important in the sharing of information. With regard to the process, training of employees in all aspects was equally important to ensure maintenance of consistency and/or reliability of products or services.

In concluding, Mr. Gosein compared the SME sector in the Caribbean to a sleeping giant with considerable potential to revolutionise the economies, once awakened. Ever so often, it would be prodded with a few worthwhile endeavours. What was needed, though, was not just some gentle nudges, but a big push, if its potential was to be realised.

- **Inter-American Institute for Cooperation on Agriculture (IICA) –**
  Ms. Judith Ann Francis

Promoting agro-food processing for enterprise development in the Caribbean

Ms. Francis' presentation was based on a study of the agro-processing industry in the Caribbean and featured recommendations for both entrepreneurs and policy makers. She noted that a successful agro-processing sector depended on the following:

- An adequate and reliable supply of high quality raw material and other inputs, including utilities and labour at a reasonable cost;
- The availability of appropriate technology - equipment, packaging and technical know-how was also a key component for a successful industry;
- Trained human capital in all the technical aspects of the operations, business and marketing;
- Infrastuctural support including up-to-date food legislation and appropriate;
- Standards, public and private sector, laboratory support services for product evaluation and certification, adequate and reliable transport services and linkages - land, air and sea;
- Effective and efficient government agencies to monitor and certify food plants and products and provide technical support;
- Governmental policies which are sensitive to the needs of sector;
- Access to relevant and timely information on markets and market requirements;
- Adequate financing.

She said that the results of a survey conducted revealed that the existing systems that are in place in the countries surveyed are not adequate to support the agro-processing sector. The sector in the Caribbean countries where the survey was conducted could, therefore, be described as weak and lacking coordination and an enabling environment. The achievements made by individual processors in penetrating local and export markets were due mainly to their innovative strategies and resilience in the face of severe odds. The major problems identified were the high costs and limited availability of raw materials and other inputs (packaging and additives), limited technical capability and know-how, limited industry standards and limited access to financing.

She told participants that while there was a need to strengthen the sector, it should be remembered that as in all other sectors, the basics of competitive advantage are strategies involving low cost leadership and differentiation based on product, service or both. Quality was also an important tool in gaining competitive advantage. In the low cost leadership, emphasis was placed on economics of scale and finding cost advantages from all sources e.g. low cost of raw materials, transport or increased production through high productivity such as innovations in process or product design or high plant capacity utilization and improved efficiencies. While it was true to state that the above issues were not being addressed in a significant manner by a number of the agro-processing plants, all processors paid close attention to their competitors and have found a niche wherever possible in which they were able to compete. In closing, Ms. Francis reiterated that the agro-processing sector in the Caribbean needed to be strengthened. She said that this could not be achieved by any one agency but that it had to be a collaborative effort of several organizations. She advised that inter-agency collaboration should therefore be promoted in each country with the group being given the specific task of designing a programme and an implementation schedule for developing the sector. A lead agency should then be appointed for overseeing the implementation. On a regional basis, harmonization of standards for products and processing plants should be promoted. It was highlighted that the entrepreneurs who have already invested in agro-processing as a business could not wait on such a programme and should be supported in their efforts to expand. In this case emphasis should be on the following:

(a) Improving the quality and type of support services - public health, veterinary division and upgrade of food legislation.

(b) Providing training to upgrade knowledge and skills in the technical, including sanitary, business and marketing aspects of the processing operation.

(c) Facilitating access to information, equipment and raw materials and packaging at prices which allow the processors to be competitive and access to financing.

(d) Providing product certification for deserving enterprises through the designated competent authorities in each country.

(e) Improving the fiscal and other incentives.

The above recommendations, she noted, were applicable to small and medium size enterprises, as well as their larger counterparts.

- **SESNA Curacao (SesCur) – *Mr. Ivar Asjes***

SESCur's objectives and activities in supporting SMEs

Mr. Asjes' presentation dealt specifically with SESCur (SESNA, Curacao). It was described as a public-private partnership consisting of the Island Government of Curacao, the Chamber of Commerce, the Small Business Association, the Innovation Centre and the local development bank. SESCur's objective is to strengthen the contribution of the small business sector to economic growth and to structural employment generation and consolidation in Curacao. Through its five partners, SESCur offers business information services and essential business skills training to micro and small entrepreneurs on the island. Some of the services are free of charge, while a small fee is charged for others. The organization hopes that its activities for 2002 would result in day-to-day information services and communication with their target group. Communication is done via the use of newsletter and one of its aims for the year is the development of a database and internet-based client information guide and a website. Another proposed activity is the institution of small business "Market Places", where entrepreneurs can come together to initiate business relations and acquire and exchange knowledge through lectures and workshops. SESCur management has specific targets which they expect to meet by the end of 2002, including providing advice on business planning, marketing, financial management, business administration and organization, legal aspects and production and technical aspects to 180 SME clients. They also have a goal of 575 clients trained by freelance professional business trainers in strategy for business start-up and identifying business opportunities, business planning, management concepts and business organization, marketing and customer care and finance and financial management. The participants were informed that SESCur itself does not issue loans, but it is hoped that this will be available in the very near future, for eligible entrepreneurs, via SESNA.

- **National Research and Development Foundation (NRDF) of Saint Lucia – *Mr. Bryan Walcott***

Mr. Walcott observed that there exists nano, micro as well as small and medium-size enterprises and there was a need to recognise the difference, where separate credit and counselling services may be required to deal with the varying levels. He gave a brief history of the NRDF and its operations, stating that it was a non-governmental organization (NGO) established in 1983 to primarily promote development in the country. Over the years, there had been restructuring to the point that today the NRDF comprises different units providing a range of services, including a research, development and training unit where training to both the private and public sectors is provided for a fee. The operations of the organization have evolved to the point where the focus is on increased efficiency and revenue-earning, with lending being the principal activity. Portfolios include agricultural lands and housing. This is in keeping with their mandate of development which, he noted, must be focused on people at all times with emphasis on the three elements of development – education, science and technology and market size. He also spoke on the need for more risk sharing, since it was agencies like the NRDF, which provided assistance to the SME sector, that bore most of the risk.

Discussions

The discussions centred on some of the problems faced by administrators of the development agencies and those responsible for the development of the SME sector. These included the fact that many were often not self-sustaining because they were usually established with the aid of grant funding. The duplication of work by national agencies was another concern, where, for example, SEDUs and NRDFs existed side by side. Mr. Walcott explained that he was not aware of the situation in other countries, but in Saint Lucia the NRDF was mandated to assist in the development of micro-enterprises, while the SEDU was for small business development. A lack of information was also cited as being a major problem. Administrators often complained about the lack of interest shown by potential entrepreneurs in the programmes. Entrepreneurs often claimed that no relevant assistance was received from the agencies established to help them or they were unaware of what was available. It was suggested that there needed to be mechanisms for the sharing of information at both the national and regional levels in order to achieve the goals of both service providers and entrepreneurs.

- **Small Business Association of Jamaica (SBAJ) – *Ms. Andrea Graham***

Overview of the SME sector in Jamaica

Ms. Graham said that the SBAJ was a membership, non-profit and voluntary organization founded in 1974 to represent the small business sector in Jamaica. The primary functions of the organization included the conducting of training programmes through seminars and workshops for entrepreneurs, hosting of conventions and expositions, consultancy services on business-related operations and intense lobbying with the government of the day, on matters affecting its members. The Association also spoke on behalf of street vendors on major issues. Membership spanned the manufacturing, services, professional, traders and the agro-industry sectors. She noted that there was no generally accepted international definition of micro and small and medium-size enterprises, but in Jamaica a small business was described as any enterprise whose capital investment was JA$10 million or less, whose regular payroll employees were 100 persons or less and whose principal business was production, trading or services. A micro business was one whose capital investment was JA$2 million or less, whose regular payroll employees were 10 or less and whose principal business was production, trading or services. Activities in the sector covered a wide range of businesses including small farming, manufacturing and service oriented companies such as cosmetology, transportation, food preparation, catering and sales. Ms. Graham added that most of the final products of micro and SMEs consisted largely of food, clothing, furniture, handicrafts, maintenance and services. Less imported materials and equipment were used, while the large businesses were very much dependent on such imports. She said that the statistics showed that over the past few years the micro and SME manufacturing sector had been one of the most important sectors in the Jamaican economy, although, as in other Caribbean countries, this was yet to be fully exploited. She said that it was also the most diverse sector comprising many subsectors, each with its own peculiar problems and opportunities. As a small business owner herself, Ms. Graham was of the opinion that one of the main problems facing the sector was the lack of proper record keeping by entrepreneurs. She stated that it was a fact that many small companies did not keep proper, up-to-date records. She advised that good

accounting practices were the keystone for a successful business. She emphasised the point that micro-enterprise proprietors must be able to know the extent of their receivables and how the market was receiving their products, so that they could plan for the future. She also advised that operators should seek training opportunities, for both their staff and themselves, in order to effectively manage their own businesses. This would go a long way towards competing in the global market. Another very important factor that should not be overlooked was efficiency in delivering customer satisfaction. This, she noted, would determine success over competitors.

- **Scientific Research Council (SRC) – Technology Transfer and Information Products - *Mr. Hawthorne Watson***

Information technology and its use in support of small and medium-sized enterprises

Mr. Hawthorne Watson gave two definitions of information technology and also identified examples before outlining the various applications of information technology in support of businesses as well as the advantages of each application. Some applications in support of business were the Internet, electronic mail (e-mail), e-business/e-commerce, intranet/LAN, radio and television networks, video conferencing and databases. With regard to the Internet, he advised that this medium offered endless opportunities for both the small sole-trader and the large company and no entrepreneur or business person could afford to ignore or refuse to access it. E-mail was described as the most successful and widely used application on the Internet, with several advantages as a communication medium including the fact that it was faster and lower in cost than paper mail and lower in cost than phone calls. Together with e-mail there was e-commerce or e-business, which was also made possible by the Internet. With e-commerce, your business was open 24 hours per day and therefore removed the boundary of time eliminating the need to wait for traditional opening hours. Mr. Watson noted that in Jamaica, e-business was not yet fully established because the infrastructure for payment using credit cards was still in its infancy. As a result e-business was confined largely to advertising and promotion, as was the case in most Caribbean countries. He suggested that one of the future uses of information technology, as articulated by the SRC, was to take information to the community level, particularly to rural areas by establishing a number of outposts. The outposts, among other things, were aimed at the use of indigenous materials, job creation and helping to stem the rural-urban drift and its attendant problems.

Discussion

Clarification was needed on the definition of small and micro enterprises, since this differed from country to country. In Belize, for example, small business was defined as one with a turnover of US$25,000–US$30, 000 per year, with micro enterprise as one with a turnover of less than US$25,000. It was decided that one common definition was not necessarily important. The bigger issue was how SMEs fit into the business community and at the country level and to avoid, especially within the SME sector, an isolation of individual sectors. It was also important to determine the needs of each country and develop policies on that basis. For example, the NRDF of Saint Lucia provided funding in the form of loans depending foremost on the type of assistance needed as well as who was the borrower and there were no strict guidelines on

lending. It was also determined that there was a need to find new and innovative ways to provide finance since loans were not always relevant. Financiers must also be innovators and not only the entrepreneurs. In Barbados and other countries there existed equity financing, venture capital, grants, guarantee schemes, with most of them achieving varying levels of success. It was also observed that the cost of lending a small amount (micro loan) was the same as for a small or medium-size loan, therefore, ways were needed to keep the cost of lending in line with the amount borrowed.

- **Bank of Saint Lucia (BOSL) – *Ms. Agnes Josie***

Criteria for lending to small and medium business enterprises

The Bank of Saint Lucia Limited (BOSL) is a major subsidiary of the East Caribbean Financial Holding Company, which itself represents a merger between the former National Commercial Bank of Saint Lucia and the Saint Lucia Development Bank. With the merger, new financial products and services were introduced to better serve businesses in general and small and medium businesses, in particular, in Saint Lucia and the OECS. An overview of the different divisions was given as well as the types of credit and the categories of business which the BOSL serves. Ms. Josie also presented the "Five Cs of Lending", specifically, character/ability, capital, capacity, conditions and collateral. She observed that start-ups have a generally high failure rate mainly as a result of over-optimism and a lack of managerial skills. She strongly recommended the need for a business plan for all companies, whether they be just starting or in the process of expanding and reiterated the advise of the SBAJ on the importance of record keeping, especially of all financial transactions. Financial statements, she advised, were extremely important in assessing and monitoring business performance and was just one of the tools that bankers used in trying to assist business clients.

- **Economic Commission for Latin America and the Caribbean (ECLAC), Santiago – *Mr. Rudolf Buitelaar***

Eco-tourism and SMEs – Keys for success

The presentation offered the participants the opportunity to examine the viability of eco-tourism in the Caribbean noting that the region was sufficiently rich in ecological resources to justify the embarking in the business. He gave examples of eco-tourism in different communities in Latin America, and identified the principles behind success, the most critical of which were the human resources of the areas identified for eco-tourism.

- **SEDECK, Curacao – *Mr. Carl Camelia***

In response to questions posed to Mr. Camelia on the difference between SEDECK and SESCur, it was noted that SEDECK was the agency responsible for business development on that island and SESCUR was responsible for facilitating the work of SEDECK. SEDECK operated on a tripartite approach to business development and involved the public sector, the private sector and knowledge institutions. Prior to the establishment of SEDECK it was observed

that there was very little or no collaboration among the above-mentioned sectors, each of which were intimately associated with business development at varying levels. An agreement was signed by representatives of the three sectors as to the approach that was to be taken as well as the duties of each. The public sector provided funding as an investment, the returns on which were measured by distinct parameters, for example, by the number of jobs created or revenue generated. The private sector was represented by the Association of Small Business Entrepreneurs (Asosiashon di Empresarionan Chiki di Korsu - ADECK). An agreement has also been established with a conglomeration comprising five accounting firms, which serve as a support group for new entrepreneurs and offer advice, as needed, to small entrepreneurs. These businesses represent future clients for the firms, thereby a win-win situation was created for all parties. A Centre for Entrepreneurial Development has been established at the University of the Netherlands Antilles, where courses on entrepreneurial development are offered. The University will also play an important role by conducting research to measure the economic impact of all the above activities and programmes. SEDECK has also formed strategic alliances, locally, with the Innovation Centre and the Foundation for Micro Lending and, regionally, with the Florida Small Business Development Centre.

Discussion/recap of all presentations

Mr. St. Aimee reminded participants that one of the proposed achievements of the meeting was agreement on how to reduce weaknesses by possible networking. He noted that all the presentations so far embraced one or more of the following points:

1. The delivery of the available credit systems in the region.

2. The need for flexible technological innovation and the institutions with the capability to deliver technology.

3. Use of information systems for effective sharing intra- and extraregionally.

4. The infrastructural arrangements in the provision of assistance to the SME sector at both the national and regional levels as well as the relationships which exist between and amongst service providers.

5. The mechanisms needed for effective networking in the region.

6. Collaboration at the regional level to reduce the cost of operations for small businesses, including production costs for manufacturers.

7. Development of prospective entrepreneurs from as early as the primary and secondary school levels.

The question was asked as to how could networking be used to provide the capacities needed to deal with bottlenecks in systems and services in the SME sector. St. Aimee explained that networks should first and foremost be a depository of knowledge and information that was easily accessible to all the stakeholders, and was only as strong as the weakest link, hence the

need for continuous input at the national level. Systems needed to be maintained, so there was also a cost attached to such a system, that would have to be borne by users and operators.

A discussion ensued as to whether entrepreneurship could be taught or whether it was inbred. Some persons were of the view that some skills could be introduced very early in life that would encourage an entrepreneurial spirit. It was determined that entrepreneurship was comprised of a combination of factors, with awareness of the benefits being the primary motivating factor. It was also observed that a distinction was needed between the person who decided to become an entrepreneur, recognising the risk and the person who got involved in business as a means of survival.

With regard to small business development, it was noted that many governments promoted small business only when there were insufficient jobs in the public sector. In Belize, for example, where unemployment, especially among young people, was very high, persons were encouraged from a very young age to engage in training programmes that promoted self-employment.

- **Small Enterprise Development Unit (SEDU), Saint Lucia - *Mr. Peter Lorde***

Origin, successes, lessons learnt and the future

SEDU is a special unit established within the Ministry of Commerce, Tourism, Investment and Consumer Affairs to serve as one-stop shop for the development of the small business sector. It was a joint undertaking by the Government of Saint Lucia, the UNDP, the International Labour Organisation (ILO) and the OECS. In 1995 SEDU offered consultancy, training, coordinating and networking to women, young persons, school leavers and the unemployed. By 1998, during the implementation of the EU-funded Small Enterprise Development Project, SEDU entered into strategic alliances with the Saint Lucia Bureau of Standards, the Sir Arthur Lewis Community College and other national agencies in order to infuse the small business sector with an awareness and practice of international standards, a knowledge of modern small business management, use of state-of-the-art business application software, market development, micro financing and a market-oriented approach to agriculture in the rural communities. There were, as expected, a number of successes and failures, the latter of which contributed to a repositioning and further development of the organization that has now placed it in a better position to serve the small business sector. A four-pronged strategy comprising human resource development, marketing, finance and advocacy was being proposed to fulfil the goal of the National Industrial Policy as it relates to the small business sector.

- **Small Business Development Company Limited (SBDC) of Trinidad and Tobago – *Mrs. Jean Nichols***

Activities to promote micro, small and medium-size enterprise (MSME) development in Trinidad and Tobago

The SBDC is a para-statal agency where the Government of Trinidad and Tobago is the major stockholder. Investors from the banking sector, insurance companies and other private citizens represent the remaining shareholders. The company is managed by a Board of Directors comprising representatives from the private and public sectors, including the Chamber of Commerce, members of the legal and banking fraternities and government ministries. The main objective of the SBDC is the promotion of micro, small and medium-size enterprise development, which the company achieves through the operations of the three main departments, namely: business development, sector development and finance and administration. The business development department is responsible for the operations of the loan guarantee programme, entrepreneurial training, interface advisory services and a business service centre. The sector development department is responsible for project management, research, policy, planning and network services, while the finance and administration department has responsibility for information technology, human resource and professional development and financial administration. A number of achievements of the company were highlighted, *inter alia,* the inauguration of Small Business Week, where training of potential and existing entrepreneurs is conducted in communities throughout Trinidad and Tobago, a Best Business Award to recognise and reward the achievements of small businesses and, in collaboration with the Ministry of Community Development, the implementation and management of an Export Centres Facility, with the specific objective of training apprentices in productive skills for exportable products. The SBDC has also provided consultancy services to other Caribbean countries in the development of small business development progammes.

- **OECS Regional Pharmaceutical Project – *Mr. Francis Burnett***

Joint negotiating strategies for marketing and purchasing as applicable at both national and regional levels

The OECS Regional Pharmaceutical Project, formerly known as the Eastern Caribbean Drug Service, is responsible for the procurement and management of pharmaceutical supplies for Eastern Caribbean countries. This includes selection and distribution to ensure the most rational use of pharmaceuticals by doctors. Mr. Burnett explained that approximately 5 to 10 per cent of the national recurrent budget is spent on drugs. This expenditure also posed a major drain on scarce foreign exchange resources, making it practical to purchase the items falling under the category of pharmaceuticals on a group basis. The countries of the OECS already shared one common currency and market surveys conducted before embarking on the venture showed that a savings of at least 37 per cent could be realised with bulk purchasing. The project was started in 1992 with six countries participating. Both the number of countries participating and the value of purchases have steadily increased to the point where all nine OECS countries now purchase products under the project. The portfolio originally comprised pharmaceuticals only, but now includes medical supplies, contraceptive products and more recently X-ray supplies. Initial

funding for the project was provided by USAID, matched by contributions from participating countries. Apart from country contributions, a 15 per cent administration fee is charged for each invoice processed. The programme is managed by a policy board comprising the health ministers of member countries. Two committees contribute to ensure efficient operations - a tenders subcommittee with responsibility for contracts to suppliers and a technical advisory committee which provides updates on drugs procured and advice on deletions and additions to the list when necessary. Some of the critical factors that contribute to the success of the programme include testing of products on a regular basis, by regional and extraregional labs to ensure safety of products, the use of purchasing agreements that include specifications such as shelf life. In addition, the financial arrangements are very straightforward. Payment to suppliers is effected via the Eastern Caribbean Central Bank (ECCB), where each country has established an account that is part of the revolving drug fund. Payments are in full and on time (no partial invoices) with direct remittance as opposed to letters of credit. A disaster fund has also been established that may be accessed by a member country in the aftermath of any major disaster. The stability of the Eastern Caribbean dollar is also a significant contributory factor to the programme's success. Fiji has shown an interest in the programme. Even though it can be successful over a wide geographic area, the Caribbean Community (CARICOM) and Latin America made attempts to replicate the programme with no success mainly because there was no serious, voluntary, financial, commitment from the countries. According to Mr. Burnett, political commitment at the highest level is absolutely essential.

- **Saint Lucia Bureau of Standards**

SME quality assurance programmes

The presentation focused on the benefits of standards and quality assurance that are not only geared towards protection of the consumer, but also to minimising the cost of production to manufacturers and streamlining operations for the service provider. Countries with no significant manufacturing sector are also subject to standard specifications. Representatives were informed that standards were not regulatory as was the perception, but were established to facilitate development at all levels.

- **Small Business Office (SBO), Saint Maarten – *Mr. Miguel De Weever***

Economic environment

Although tourism is the mainstay of the economy of Saint Maarten, following the experiences of the 1990s, the governing sector is committed to ensuring sustainable development, especially after the experience of the 1990s, when the tourism industry was seriously affected by the devastating hurricanes of the mid-1990s and the Gulf War. Mr. De Weever noted that these events served as a wake-up call for citizens. In the 1970s, tourism was identified as the major economic foreign exchange earner and government established an open market policy with regard to business establishment. Any person from any part of the world was able to establish business in Saint Maarten, which resulted in an economic boom during the 1908s as foreign investment increased and more tourists visited the island. The downside to local activity, however, resulted in a shift in the market and an exodus of local businesses from

the main commercial areas. This trend continued into the 1990s and local persons eventually became landlords and not active participants in the business environment. The result was a high cost of doing business, and together with the more than usual active hurricane seasons, led to inflation and further economic instability. The experience of the 1990s, specifically the vulnerability of depending on tourism for development was exposed and showed the need for diversification of the economy. Mr. De Weever said that there was now a shift in government policy from one of an open market to one that was more controlled, with regular monitoring of price developments to ensure that inflation remained constant and to ensure competition as well as to promote local entrepreneurial development. Tourism-related activities continued to be the mainstay of the economy, however, but persons who were directly employed within the hotel industry, for example, with the decline in arrivals, were now self-employed as taxi drivers, vendors, etc., placing them, from a government perspective, in the unregulated income category. Because the island is shared with French St. Martin, there are other challenges to managing the economy which affects all policies and stipulations since there is a free movement of goods, services and even capital between the two sides of the island. Attempts have been made at collaboration by both governments, but with limited success and only at the local government level.

- **Bonaire**

Bonaire, although the second largest island of the Netherlands Antilles, has never invested in cruise tourism as heavily as was done for the other islands within the group. As a result, the majority of businesses are micro, rather than small or medium. The Office for Private Sector Relations was established as part of the Office of the Prime Minister and created as a link between the public and private sectors to maintain goodwill within the private sector and to quicker respond to the needs of this sector. There also exist several other mechanisms in government to offer both general and specific assistance to the small business sector in the form of grants, loans and other types of financial assistance. Bonaire operates at four levels as follows: policy level dealing with government agencies, handling issues such as duty free concessions and incentives to specific sectors, among others; the parastatals, with responsibility for the provision of water, electricity and telecommunications. The parastatal boards influence and determine the efficiency of providing these services at reduced costs to consumers. At the community level, entrepreneurship programmes are conveyed to all persons. There also exist interventions from the private sector, mainly to ensure a level playing field to both large, foreign companies and small, local companies.

- **St. Eustatius Enterprise Foundation (SEF), Saint Eustatius**

The major employers on St. Eustatius are the Statia Oil Terminal, the Island Government, the tourism sector, construction, agriculture and other small business. The St. Eustatius Enterprise Foundation (SEF) represents the business life on the island. Its mission statement is "*to assist the micro and small enterprises in developing into a vibrant, viable part of the overall economic development of the island*". On the island there are many deficiencies which the SEF hopes to address. These include a lack of officially identified potential economic areas, lack of government policies, lack of accessible statistical data to support planning and policy, lack of entrepreneurial skills development and limited access to affordable finance. SEF addresses these

deficiencies by encouraging persons interested in starting their own business to take an interest in the type of activity that is needed on the island, organizing conferences and workshops and facilitating access to information. There has been some success in achieving these goals. Their training sessions are highly accepted by the target group and, to date, they have been able to stimulate government to develop specific SME policies.

Presentations by entrepreneurs

Entrepreneurs from Aruba, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Trinidad and Tobago, Saint Maarten and Saint Lucia outlined their business activities with a focus on assistance received from SME development agencies, problems encountered and the areas in which further assistance was required. Major problems identified were access to financing at a reasonable cost and marketing of goods and services. Entrepreneurs outlined their priorities, which in many cases were not those of their financiers. It was determined that there was need for much more dialogue between both parties in order to better understand each party's objectives. Legislation was also needed to promote small business development. Lack of information was cited as a major constraint to development, since in most of the countries there existed institutions, agencies as well as legislation that were specifically developed to assist and protect small enterprises.

Outcome

Following three days of presentations and discussions, common trends and issues emerged that would require immediate attention, including:

(a) The high cost of materials;
(b) The lack of information on markets,
(c) The lack of appropriate technology;
(d) The high cost of credit;
(e) The lack of training in business management; and
(f) The sensitisation on regional and international issues relating to standards and quality.

Based on the above, a number of decisions were taken and a plan of action for a regional programme was agreed upon. Decisions taken related to:

1. The establishment of a network of SME agencies and practitioners;
2. Knowledge of all the elements of an effective network;
3. Knowledge of the services available;
4. Identification of needs;
5. Maintenance of a networking system;
6. Cost of operations of a network;
7. The formation of working groups that would ensure measurable progress, no matter how small, towards the establishment of such a network.

Representatives from member States, institutions and entrepreneurs agreed to be part of the working groups in order to provide ownership to the programme. The groups below were formed from the representative member countries and/or organizations, with the lead role to be taken by the persons identified. In some instances, representatives co-opted agencies or organizations operating in their respective countries. Members met during the final session of the meeting to define the respective scope of works and reported back to the meeting. Working group leaders are highlighted.

Finance

Curacao; Guyana (**Ms. Manjula Brijmohan**); Jamaica; St. Eustatius and Saint Maarten. Among the issues to be addressed by the members are:

- The strengthening of national financial institutions
- Criteria for lending
- Best policies for disbursement
- Non-traditional finance options
- Government policies
- Regional financial institutions
- Funding sources
- Needs of the entrepreneur.

Policy and structure

Barbados (**G. L. Sydney Simmons**); Belize; Curacao; Saint Lucia; St. Maarten; Saint Vincent and the Grenadines and Trinidad and Tobago. The group advised that the most important issue was the sharing of all information that was available.

Technology transfer, product development, standards and quality assurance

CARIRI (**Megnath Gosein**); Institute of Applied Science and Technology (IAST), Guyana; SRC, Jamaica; University of the West Indies (UWI); University of Curacao; St. Maarten and Trinidad and Tobago. The group proposed to:

- Identify the major technological barriers to SME development in the region;
- Share information on all technical services available in the region;
- Devise a plan of action that would include monitoring programmes.

Information, information technology and market intelligence

CARIRI; SRC (**Hawthorne Watson**); Bonaire; Saint Lucia and St. Maarten.

Human resource development and training

Belize; Curacao (**Carl Camelia**); Haiti; Jamaica; Saint Lucia; St. Maarten; UWI. The group will:

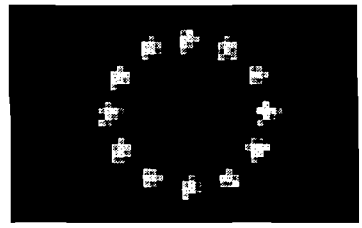
- Compile all the training and education material available in the region;
- Share all information; and
- Assess the material to determine if it was adequately meeting the needs of the target market.

Market access and transportation

Bonaire; CARIRI; Jamaica; Saint Lucia; St. Maarten (**Rafael Arrindell**).

It was agreed that the volunteers would be in regular communication with each other to ensure that objectives were achieved. The chairperson of each group would be responsible for drafting out the scope of work in the respective areas, circulate for comment among the members before finalising and forwarding to the Science and Technology Unit of ECLAC by 30 June 2002.

Annex 1



PROGRAMME

Day 1: 3 April 2002

Chairman - Mr. Cosmos Richardson, Permanent Secretary, Ministry of Commerce, Tourism, Investment and Consumer Affairs

- **Welcome on behalf of the Government of Saint Lucia**

Mr. Cosmos Richardson, Permanent Secretary, Ministry of Commerce, Tourism, Investment and Consumer Affairs

- **Remarks on behalf of ECLAC**

Ms. Len Ishmael – Director of ECLAC, Subregional Headquarters for the Caribbean, Port of Spain

- **The SME Latin America Project**

Mr. Rudolf Buitelaar, Industrial Development Officer, ECLAC, Santiago

- **Feature Address**

Hon. Phillip G. Pierre, Minister - Ministry of Commerce, Tourism, Investment and Consumer Affairs, Government of Saint Lucia

- **Expectations of the Sponsors and Conference Objectives**

Mr. Ed Vos, European Union (EU)

- **Vote of Thanks**

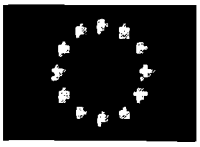
Mr. Donatus St. Aimee, Economic Affairs Officer-Science & Technology, E ECLAC, Subregional Headquarters for the Caribbean, Port of Spain

Coffee Break

Chairman, Mr. Donatus St. Aimee

- **Organisation of Eastern Caribbean States (OECS)**

Dr. Samuel Scott – Development, Growth and Competitiveness of SMEs in the Eastern Caribbean Business Culture and Environment, Technology and productivity, Access to Capital Markets.



- **Small Enterprise Stimulation Netherlands Antilles (SESNA)**

Mr. Dwight Min Kon Kiem – The SESNA Programme

- **Institute for Private Enterprise Development (IPED), Guyana**

Ms. Manjula Brijmohan – The IPED Programme

- **Rural Agricultural Development Agency (RADA), Jamaica**

Mr. Thomas Burton - SMEs as a catalyst for rural development

- **Department for Economic Affairs, Curaçao, N.A.**

Mr. Randy Curiel – SME Policy in Curacao.

Lunch break

- **Caribbean Industrial Research Institute (CARIRI) - Trinidad & Tobago**

Mr. Meghnath Gosein - Technological services in support of product development for SMEs.

- **Inter-American Institute for Cooperation on Agriculture (IICA)**

Ms. Judith Francis - Promoting agro-food processing for enterprise development in the Caribbean.

- **SESCUR**

Mr. Ivar Asjes – SESCUR's objectives and activities in supporting SMEs.

- **National Research and Development Foundation (NRDF) – St. Lucia**

Bryan Walcott – The future of service provider under auto-financing conditions

Discussion

Coffee break

- **Small Business Association of Jamaica (SBAJ) – Jamaica**

Ms. Andrea Graham – An overview of the SME sector in Jamaica

- **Scientific Research Council (SRC) – Jamaica**

Mr. Hawthorne Watson - Information technology and its use in the support of SMEs.

- **Small Business Development Company Limited (SBDC) - Trinidad and Tobago**

Mrs. Jean Nichols - Activities in the SME sector in Trinidad and Tobago: The SBDC perspective

Discussion

Day 2: 4' April 2002

8:30 a.m.

Chairman – Mr. G. L. Sydney Simmons

- **Bank of St. Lucia – Ms. Agnes Josie**

Criteria for lending and financing SMEs

- **ECLAC, Santiago**

Mr. Rudolf Buitelaar – Eco-tourism and Small Business: Keys for Success

- **SEDECK, Curacao –**

Mr. Carl Camelia

Discussion on points arising out of presentations

- **Small Enterprise Development Unit (SEDU), Saint Lucia**

Mr. Peter Lorde – Origin, successes, lesons learnt and the future.

- **Small Business Company Limited of Trinidad and Tobago**

Mrs. Jean Nichols – Activities to promote MSME development in Triniadd and Tobago

- **OECS Regional Pharmaceutical Project**

Mr. Francis Burnett - Joint negotiating strategies for marketing and purchasing as applicable at both national and regional levels

- **St. Lucia Bureau of Standards**

SME quality assurance programmes

- **Saint Maarten**

Discussion

- **Bonaire**

- **St. Eustatius**

Presentation by entrepreneurs on experiences in establishing businesses to include, *inter alia,* problems and investment barriers encountered, assistance needed.

- Aruba
- Grenada
- St. Kitts and Nevis
- St. Vincent and the Grenadines
- Trinidad and Tobago
- Saint Maarten

Discussion

Day 3: 5 April 2002

- Field visits to selected small business establishments.

- **Podium discussion.**

SME development in the Caribbean context - *Quo vadis?"*
This podium discussion will be moderated. 5 selective SME capacities will sit on the podium with strong interaction with podium audience

- **Video presentation on SMEs in the OECS and the Netherlands Antilles**

- **Recommendations for advancing SME development in the region to include networking, technology transfer mechanisms, technical assistance and co-operation.**

- **Conclusion and final remarks of the Conference**

Annex 2

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ADDRESS DELIVERED BY DR LEN ISHMAEL, DIRECTOR ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN AT THE MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS ORGANIZATIONS AND AGENCIES

3-5 April 2002

Sponsored by
ECLAC, the European Union and Cooperazione Italiana

Honourable Minister(s), Heads of Mission and regional organizations, Government officials, participants and colleagues. As Director of the Subregional Headquarters for the Caribbean of the United Nations Economic Commission for Latin America and the Caribbean, it is for me a real pleasure to add my own words of welcome to you, at the start of this rather important meeting here in Saint Lucia.

Allow me at the very outset to take this opportunity to express our profound appreciation to our partners who have assisted in making this meeting a reality: the European Union, represented this morning by the Head of Delegation for Barbados and the Eastern Caribbean, and a colleague from the ECLAC Headquarters in Santiago, Chile, Mr Wilson Peres, for his efforts in securing the commitment of funds from a project supported by the Italian Government. Allow me, in addition, to take this opportunity to express my sincere appreciation to the Government of Saint Lucia, for their unstinting efforts in support of this meeting, which is both timely and relevant, given the tremendous dislocation experienced by many of the countries in this region over the last year and a half.

It would be fair to say that with a few notable exceptions, such as Trinidad & Tobago, the period of the last 18 months or so was one of particular challenge and trauma for this region. It was with some finality that the sobering reality of the end of the era of preferential access to European markets hit home. The production of bananas in the Windward Islands, in general, and in Saint Lucia, in particular, for example, hit an all time low, with the predictable far-reaching social and economic effects. This could not have come at a worse time regionally. With few exceptions, economic performance in the year 2000 was not half as robust as had obtained previously, but this paled in comparison with the dismal performance of many regional economies in the year which followed with spillover effects into this current year.

Well in advance of the events of September 11, tourism-dependent economies were suffering from extremely soft markets. September 11th provided the final blow, prompting an unprecedented major Tourism Summit at the level of the CARICOM Heads of State to speak to the ongoing crisis in that sector. The reality of new banana trade protocols, coupled with the devastating effects of extremely poor performance of tourism, spelt a time of real trauma for several islands as one after the other hotels closed or, in some cases, went into receivership. In primary

agricultural producing countries, such as St Kitts & Nevis, the story of bananas will soon be followed by the story of sugar. The end is not yet in sight: recovery is still some time away.

Attempts by member States to diversify economically into the offshore financial services sector, some perhaps in advance of the ability to provide for the comprehensive regulation of the industry, invoked the now infamous "black list" circulated by the OECD. The manufacturing sector in member States, such as Jamaica, continued to hemorrhage with the loss of thousands of jobs for a number of reasons, including the migration of those jobs to lower-wage Mexico in the wake of NAFTA. Movement towards a single market and economy continued to make tenuous progress within CARICOM, while the OECS thrust towards the free movement of labour among its members was characterized by the troubling, yet understandable, hesitancy of some of its members.

The consultation and negotiations with respect to the WTO, the EU and the FTAA, presented special challenges to the subregion at all levels – human resources and the lack of a regional strategy to inform such deliberations being among some of the major impediments. On the global front, the inexorable advancement of the doctrine of competitiveness within the framework of globalization and trade liberalization stumbled for the first time with "on-the-street" demands from thousands - that the faceless spectre of the market be infused with sensibilities which safeguard the rights of the world's people to equity, justice and work, as people took violent possession of the streets in Seattle, Quebec City and Genoa, prompting, at the same time, reservations articulated by developing countries regarding the ability of globalization to spread the world's wealth among those most poor. And while protectionist interventions continue to be viewed negatively, the world's biggest economy - that of the USA - a few weeks ago proclaimed its intention to protect the jobs of thousands of its steel workers by the raising of stiff tariffs prompting immediate protests and insinuations of reprisals by some of that country's major trading partners.

To round it all off, levels of ODA are at a historical low, and despite the commitment made by some members of the developed world at the recently concluded UN sponsored Monterrey Conference on Financing for Development, it is unlikely that levels of ODA, will ever return to that of the decade of the 70's and 80's.

This, ladies and gentlemen, is the canvass against which countries in this region and the ordinary folk who make these islands home, are seeking to stay afloat. Resilience, competitiveness, adaptation are hallmarks of these times, times which however bleak, nonetheless provide opportunities for introspection and a closer look at whatever indigenous strengths lie in societies such as these which may assist and support countries as they continue with the process of diversification of economic structures to better enable them to meet the challenges of the future. It is within this context that this meeting on small and medium size businesses, the needs of this sector and the potential which it has to play an important role in the development of this region is timely – a timeliness which must have resonated with those of you assembled here today.

Caribbean society is one which has historically been characterized by dualities of all types, including, for example, that which exists in production and consumption patterns between the formal and informal sectors. Like other developing countries and regions, the informal sector in the Caribbean has provided a livelihood, shelter and workplace for significant numbers of folk. It is from that sector and its traditions, that this region's crop of small and medium size entrepreneurs have evolved. The seamstress and tailor, the cobbler, masons and carpenters, the tinsmiths and

peasant farmers of yesterday have given birth to this region's designers, builders, organic farmers and master mechanics.

However the sector has evolved with very little formal support. There exists a continuous and historical disjunct between the needs of the sector and the institutional and policy framework within which it operates. The school curricular in these islands, for example, continues to churn out young adults for jobs which do not exist. Training in the trades has traditionally been relegated to meeting the needs of those whom we regard as being – slow- despite the fact that the highest levels of unemployment in this region are among those aged 15 – 24 - and yet we dare question the apathy with which growing numbers of our youth seem to be afflicted

And yet, despite all odds, the SME sector has shown tremendous resiliency and herein lies a measure of hope. More people than ever before are turning to this sector in a bid to transform their creative talents into salable assets. And times are changing too. Developing countries the world over are beginning to appreciate the true character and potential of this sector to contribute positively to overall socio-economic development, and are beginning to seriously address policy shortcomings in its support, in a systematic manner.

The need for strategic thinking, policy formulation, collaboration, the sharing of information, are, I believe, but some of the issues with which you will be preoccupied over the next few days. It is in that context that the ECLAC Subregional Headquarters for the Caribbean takes pride in the association with the EU-SESNA Programme in the hosting of this meeting. A meeting which is in keeping with our own philosophy which is to provide strategic information and guidance and to provide the forums within which the countries of this region can share lessons of experience, strategize on common approaches to common problems and formulate plans for immediate and future action.

At ECLAC, we are committed to working with all others in furtherance of the overriding goal which is nothing short of the transformation of the small and medium enterprise sector, the harnessing of its full capacity in support of the socio economic objectives of this region's people, and its youth. I have no doubt that the commitment which brings you here today will set the stage for action of the type which will turn this goal into reality.

I wish you a good and productive meeting.

Aruba
presented by Mr. Aurelio Ruiz

Tourism is the main economic activity of Aruba with approximately 1.000.000 visitors coming in per year by air and sea. There is a magnificent stretch of white sand beach that extends for miles along its west coast. Some of the finest beach front resort houses well known world wide in the chains of hospitality are the Hyatt Regency, Marriott, Holiday Inn, Wyndham, Costa Linda, Playa Linda, Sonesta, Suits, Radisson hotel only just to mention a few. Within the international cuisine of the numerous restaurants and hundreds of others on the island the "hot-delight" products from our KELANT-ROSE company have become indispensable.

There is a magnitude of tourist attractions such as many casinos, varied nightclubs, ultimate discotheques and a wide range of specialty restaurants serving local, European, Oriental, and International cuisine where the unique gourmet from KELANT-ROSE hot delight gourmet products are in demand.

As a consequence of Aruba's open economic policy, based upon international trade and its convenient geographical position between continents it has been able to enhance its trade and transport facilities.

Aruba has three main sea ports to accommodate all kinds of vessels from container, cruise to tourists ships. There is a full-fledged container terminal with cranes available to unload gigantic container shipments. Aruba's free zone is integrated with the main cargo harbor in the capital of Oranjestad. There are over 10 different cruise-ship lines frequent visiting and in the year 2001 a total of 652 visitors calls were made.

Population: There are approximately 95, 000 inhabitants on Aruba. The islands multilingual population is among the most friendly and most hospitable in the Caribbean. Dutch is the official language and the local language is Papiamento, a unique vernacular, which evolved through Portuguese, Hispanic, Indian, French, Dutch and English influences over decades of colonialism. English, Spanish and Dutch are widely spoken.

Climate: Aruba has a tropical climate with an average temperature of 27 degrees Celcius. Mostly sunny weather with a refreshing north-east trade wind showing little seasonal climate variation. Located fortunately outside of the hurricane belt Aruba has on the other side unfortunately approximately 600mm of rainfall per year. And this is not sufficient rainfall to support local agricultural farms. Although the Department of Agriculture supplies local farmers with some of the collected rainwater obtained from big water tanks, yet there is still a shortage of water supply nevertheless. The island has been blessed with the best portable water in the world but its use for agricultural and business purposes is too expensive. It is also considered too pure for agricultural use missing some of the natural minerals properties contained in natural rainwater which have more nutritional value for plants.

Legal economic considerations: The legal system protects the rights of investors while the local Government stimulates new business areas. Completely modernized Aruba makes use of the

most advanced forms of technology in its daily business. International fast food chains are also present in Aruba like Wendy's, Burger King and Mac Donald. We encourage to pay interest to multi national corporations to the extent of becoming a modern western society. Most traditional customs have, faded away with time. Carnival however is celebrated on a grand scale on a yearly basis. The Gross Domestic Product (GDP)per capita ranks high in comparison to the region and internationally. Although its ranking position is below the U.S.A. and the Netherlands in comparison it still ranks above nearby countries. The local currency is the florin (Arubian guilder); the exchange rate with the Us. Dollar is 1.78 florins (since 1963).

Labor and Industry: The total labor force of Aruba is estimated to be approximately 38.600 workers. About 47 % of the Aruban population is under 21 years. So Am 1. The best majority of the labor force knows three to four languages (Papiamento, Spanish, English and last Dutch). Unemployment is less than 1%. On our papaya ranch and hot peppers farm KELANT-ROSE is confronting difficulties finding workers among the local people. The competing factors are: white collar jobs, construction areas, hotel and casinos that offer better pay to its employees who don't have to work as hard. Not every one is fit to do office or hotel work or in the casinos. They do this work without having the vocation that is "love" for the job they are doing. This has to do with work ethic and attitude of the people which we need to change. Since unemployment is less than I % most of our agricultural farming is executed with foreign workers. To find official immigration papers for these workers is a complex process and a very difficult task. The rules and regulations to obtain official permits is very strict and limited to a year or sometime less time. Labor is the energy that makes growth. And this employment factor places a burden on the agricultural industry.

KELANT-ROSE "Hot Delight"- a Family Tradition: Papaya and the highly acclaimed "Madame Jeanette" hot pepper are essential natural ingredients that a part of an age-long family recipe which my grandfather invented in the early colonial years. Subsequently he passed on his home-made gourmet recipe secrets to my hardworking father, who then passed his formula to me. During those early days the very tasteful aromatic recipe was reserved only for family use. During 1985, Aruba was at the onset of a difficult economic period, due to the closing of the nations primary source of income: the oil refinery. During the economic depression at that time many family friends encouraged me to market my unique products to introduce a new taste in the Aruban cuisine. But this was a difficult decision for I did not have enough quantity of Papaya and Madame Jeanette to start with. I decided to plant the necessary main products myself .1 took some courses in horticulture and agriculture to ensure the continuity and the quality of these products. All the plants in our home horticulture fields are biologically treated against pest which I invented myself. This control method was approved by our Government Department of Agriculture. We never used chemical pesticides. All the ingredients of the "Hot Delight" products are natural and made in such a manner that no preservative is needed. Nowadays these products have national acclaim and are popularly used in most homes in Aruba. Our company name KELANT-ROSE is derived from the names of our three children Kelvin, Anthony and Rose-Ann. Hot Delight products from KELANT-ROSE have become indispensable components at many hotels, restaurants and home made cookery industry in Aruba. The label was designed by my children and wife.

Encountered Challenges in the Making of KELANT-ROSE product: 1. Government assistance is needed for the maintenance of an infra structure in our agricultural world. Government support with import and export permits, specially work permits, Government lands made available for plantation, and limited taxes on profits and tax- free import for work material to keep business running. (import tax holiday) We should remark that Aruba's agriculture industry is practically nonexistent and that Government support is urgently needed to boost this dying industry.

2. Water supply is costly and to make KELANT-ROSE products marketable, a major attempt is made to maintain the prices affordable for general consumption by the local Aruban people. We don't want to make our products luxury items. A possible solution will be reverse osmosis water-plant intended specially for agriculturists only, as one possible alternative to reduce water cost. Another alternative is a subsidy of 50% by the Government on potable water,

3. Government incentive to promote local business and workers support. Unfortunately we don't have enough people with expertise in the agricultural field. I mean to specify among others: trained people with quality expertise. That is people who are in the business for the love of it. Government assisted agricultural scholarships intended for the practical studies in the tropical region for the mutual support and cooperation among Caribbean islands. We are dependent at this moment on foreigners with experience who want to come and work in the agriculture areas of Aruba. Arubans are not salary wise motivated to work in the agricultural fields.

4. Loans are very limited as far as agriculture is concerned. Therefore I elaborated and expanded my parents secret recipe to make a small industry out of it. Now I hope the path has been opened that makes it possible for me to petition for investments through capital funds. Whereas I maintain that capital should not be a barrier but made readily available for this type of industry. These observations can be subjected to further investigations.

Encouragement and Advice: The following are encouragement from me to those wanting to go into small business:

Look for:
1. Marketing advisors;
2. Accountant advisors
3. Advisors with know-how to manage small business
4. If your product is a very special look for someone that specializes in that product

Motivational Requirement: 1: You need to believe in yourself and in the work that you do. Always remember this: **Success comes with personal power.**

2: The road to success is not straight. There are ups and downs in life and setbacks. So never belief in give up.

3. Sound 'risk-taking behavior" is necessary. We need courage to travel a not so clear path where success exists somewhere unknown in the distant future.

4. People build their success always on personal integrity. So ask yourself the question: Do you have a credible and firm reputation in your community?

5. Are you a responsible person? Do you meet with your financial obligations and mortgage?

6. Money is not the ONLY motivational principle in all business (that's besides the point.) A love for your work and **a desire to help for fellow man** and give service to the community is of utmost importance.

If you observe these principles MONEY and PROFIT will come surely automatically to you in due time.

Finally: Keep faith and know that you are not alone, There is always someone with you which will always guide and give you support as long as you are aware that **he is with you** and he is: OUR ALMIGHTY GOD. Give thanks to him every day and he will give you wisdom in order to succeed in your business. God Bless You All with Success.

Thank You

Presentation by National Agencies

On

Efforts to Promote SME Development

Small Enterprise Development Unit / Grenada Development Bank

Melville Street, St. George's, Grenada.

Tel: (473) 440-3943/6379

Email: sedugrenada@caribsurf.com

Emphasis of Unit

The Small Enterprise Development Unit of the Grenada Development Bank, Grenada, which began operations in 1989, places emphasis in the following areas:

- The development of entrepreneurship among various groups in society. These target groups in society include students at primary, secondary, and tertiary levels; unemployed; retirees; Junior Achievers; physically challenged persons; any other person interested in starting a business; and existing small businesspersons.
- Training and consulting: - we provide training and support for the various target groups being technical, managerial or financial and on the use of new technology.
- Monitor and evaluate business operations
- Development of business plans and referral to lending units
- Establish links between institutions/agencies, small businesses, and banks
- Modernize operations of small businesses
- Advertising small businesses both locally, regionally, and internationally
- Education, training, and awareness through our television program, Small Business and You, which is aired on three local television stations.
- Assist in staff development and enhancement of the professional capabilities of national personnel in the public and private sectors engaged in the provision of small enterprise development service.
- Encourage the promotion of export oriented and import substitution industries.

Vision of Unit

Our motto: "helping your business succeed is our business".

With our motto as a guide SEDU forges forward providing excellent services by maximizing our available resources. Our long-term vision is to make SEDU a one-stop shop for our small entrepreneurs by offering a wide variety of services including financing. We hope to develop our staff by encouraging members to peruse higher education and through staff training. The final result of this drive is to produce qualified staff-members who are capable and adequately qualified to provide training for small businesses.

Assistance and Other Services Provided

- Telephone, fax, internet, and secretarial services
- Documentation/research center
- Preparation of business plans
- Consulting, research
- Facilitate, coordinate training programs
- We provide a website, www.grenadamarketplace.com, for small businesses. This gives small businesses the opportunity to develop web pages with the assistance from our staff to advertise and eventually sell their products on the internet.
- Assist with book-keeping
- Offer special assistance to small businesses engaged in promotion of their businesses, e.g., office space for planning, office equipment, etc.

SEDU Grenada has been very successful so far in training small businesses or first generation entrepreneurs and developing entrepreneurial spirit among the Nation's youth. Over the years we have worked along various groups of people in an effort to create employment and utilize available talent and resources. Though we do not have available statistics on the contribution of small businesses to GDP, there are indicators that SEDU is making a difference in our society (see attached statistics).

Government Policy Towards Small Business[1]

The economy of Grenada is heavily dependent on revenue from activities in the areas of tourism, agriculture, and in recent years manufacturing. The principal manufactured exports are electronic components, paper products, flour, beverages, and animal feed. With the recent developments in the service sector, the Government of Grenada is placing emphasis on this sector and is encouraging investors in financial services including Call Centers and internet based marketing companies.

The Government of Grenada has recognized the importance of the role of small business in the Grenadian economy; therefore, the current move by the Minister of Finance to have the Small Business Policy and Act passed by cabinet and adapted to the Grenada situation, respectively.

Government sees small and micro enterprises critical players in absorbing labor, penetrating new markets, and generally expanding economies in creative and innovative ways. The stimulation of small enterprises is seen as part of an integrated strategy to take the economy onto a higher phase in which the economy is diversified, productive, investment is stimulated, and entrepreneurship flourishes.

The government of Grenada is giving special attention to the development of small business sector, with a view to maximizing its contribution to the national economy and broadening the base of entrepreneurship. The government initiative has led to significantly improved infrastructure and supportive environment in which the sector now operates.

Need for Improvement of Unit

Regardless of the shortage of resources both human and financial, the Unit continues to strive towards excellence. Some of the problems related to shortages include:

- Availability and access to professionals as training facilitators
- Cost of obtaining qualified professionals
- Inability to provide funding for clients
- Lack of funding for programs and promotion of SEDU
- Scattered resources

[1] With compliments of Mrs. Sally-Ann Logie, Ministry of Finance

- Limited funds for upgrading staff
- Lack of research data and availability of statistics on small businesses. Although statistics is not available to quantify the contribution of small businesses to GDP, it is admitted that small business represents an important vehicle for economic growth.
- Limited contact /communication with other agencies that provide other services fro small businesses. The result is unawareness of some of these agencies' programs and available funding for small businesses.

If we are able to overcome these problems, then, we will be capable of making our vision a reality and improve the general operations/performance of SEDU Grenada.

THE FOLLOWING INDIVIDUALS, BUSINESSES AND ORGANISATIONS RECEIVED ASSISTANCE FROM SEDU

DURING THE PERIOD 1999-2001

TRAINING PROGRAMMES

			No. of persons Trained
Small Business Management:			
	-	St. George's	53
	-	St. Andrew's	38
	-	St. John's	23
	-	Carriacou	20
	-	St. Patrick's	19
	-	St. David's	8
	-	St. Mark's	10
Financial Management:			
	-	St. George's	12
	-	St. David's	3
	-	St. John's	5
Child Care Workshop	-	St. Patrick's	32
	-	St. Andrew's	18
	-	St. Mark's	18
	-	St. John's	7
Entrpreneurial Motivational Programme:			
	-	Nurses:	60
	-	Munich, St. Andrew's	40
	-	Police Officer	120
Career Day:			
	-	Westmorland Secondary school	
	-	TAMCC- ASGS	
	-	PAM	
	-	Anglican High School	
	-	St. Rose Modern Secondary School	
	-	Boca Secondary School	
	-	Wesley College	300

No. of persons Trained

SEED Program:

- New Life Organisation
- Multipurpose Training Centre
- Program for Adolescent Mother
- Project GoodHope
- Boca Secondary School
- T. A. M. C. C. – ASGS
  - Hospitality Arts
  - Mirabeau Fram School
- St. David's Catholic Secondary School
- Grenada Boys Secondary School
- Presentation Boys College
- St. Joseph's Convent
- Anglican High School
- Happy Hill Secondary School
- Grenville Secondary School
- Grenada SDA Comprehensive
- St. Mark's Secondary
- Special School
- St. John's Christian Sec

1382

Customer Service Workshop:

- St. George's 20
- St. Andrew's 7

COLLABORATIVE VENTURES:

- New Life Organisation (Hospitality Program) 61 (1999)
- Windward Island Farmers Ass/ IICA 47
- Basic Needs Trust Fund 39
- St. Vincent DePaul Training
  - St. David's 13
  - Dunfermline 10
  - Mt. Rose 10
  - Birchgrove 11
  - Marquis 6

50

Television Programme:

- "Small Business & you" 20,000 (per program)

No. of persons Trained

TYPE OF ASSISTANCE:

Caribbean Technological Consultancy Services (CTCS)

The following are beneficiaries of CTCS assistance:

- Arnwil Limited/DJ's Bobcat & Construction Services
- Dougaldston Estate
- Agency for Rural Transformation Ltd.
- Spice Isle Retreaders
- Evadne Bartholomew
- Rudan Fortune, Haylin Houston & Loxlee Mitchell
- St. Ann's guest house – Mr. Emmuel C. Franklyn
- Agency for Rural Transformation — Water of Life Community Environment Project
- Grenada Development Bank/Small Enterprise Development Unit
- National Development Foundation
- Grenada Industrial Development Corporation
- Basil Harford

TYPE OF ASSISTANCE: SECRETARIAL ASSISTANCE

- Marcus Landscaping Services
- Dr. Livingston Joseph
- Wayne McQueen
- Wayne Hazzard
- Selwyn Noel
- Ronnie Brizan

TYPE OF ASSISTANCE: REGISTRATION OF SMALL BUSINESS

No of business registered through the Unit:

-	1999 -	15
-	2000 -	51
-	2001 -	61

No. of persons Trained

TYPE OF ASSISTANCE: ADVISORS

Clients request assistance from the Unit in the following areas:

Business Counseling
Technical Assistance
Identifying Business Opportunities
Research Data
Business Plan
Financial
Start-up Procedures **405**

Meeting of Caribbean Small Business Entrepreneurs, Oganisations and Agencies - 3rd to 5th April 2002

ALL SERVICES LIMITED - GRENADA

This Company was established in June 2001 by former employees of Cable & Wireless (Grenada), who were either severed or took early retirement, as a result of the Company's restructuring programme. This Establishment was assisted by Cable & Wireless Grenada and SEDU in getting-off the ground.

We have at least fifteen (15) years experience in:

- **Basic Telephony**
- **Underground and Overhead (UG/OH) Cable Installation and maintenance**
- **Residential Customer installation and repairs (Customer premises**
- **Small Business Installation and Repairs Equipment Installation and Repairs)**

As a Company, we are on contract with Cable & Wireless (Grenada), which is the core of our business transaction at the moment, and forms part of our main source of revenue.

However, during the past six (6) months, we have been able to extend our services to other companies through contractual arrangements:

- **Grenada Electricity Services (GRENLEC)**
- **Grenada Cablevision Ltd.**
- **Grenada Airports Authority**

Other Companies are also considering utilizing our services, e.g., installation of customer premises equipment and its accessories, among others. This is as a result of taking the opportunity Liberalisation process has offered them.

(1) **PROBLEMS ENCOUNTERED**:

(a) **STAFF**

With the exception of three (3) of our Executives, including myself, the remaining twelve (12) members of staff have:

- Limited training and knowledge of business skills
- No Leadership Skills
- Little or no Supervisory Skills, etc.

However, with regular staff meetings and briefings, we hope to alleviate these problems in the very near future.

We have also solicited help from SEDU in this area.

(b) **FUNDING:**

As a new Company, with no Fixed Assets as yet, we are finding it difficult to obtain funding.

- Operating Capital

However, our operations are financed by:

- Shares bought by staff members
- Payments received from contractual arrangements.

(2) **PROJECTIONS:**

Realising the need to survive in a competitive business environment, we are considering diversifying our efforts to include:

- **The Fishing Industry**
- **Laundry Services**
- **Automotive Repairs**
- **Telephone Sales and other related equipment and accessories.**

INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT
253 SOUTH ROAD
BOURDA
GEORGETOWN
GUYANA

STRUCTURE & OPERATIONS

Prepared by

IPED

INSTITUTE OF PRIVATE ENTERPRISE DEVELOPMENT

BACKGROUND

The Institute of Private Enterprise Development was established in 1985 as the first Private Sector Institution providing financial and non-financial services to the grass-root level of entrepreneurs. This step was considered an absolute necessity in order to support the high level of unemployment and under-employment, which resulted due to the state's control of commanding heights of the economy.

To meet this challenge Mr. Yesu Persaud and a few others like-minded persons approached many international agencies. Finally, PADF agreed to fund G$500,000 if Guyanese could raise the matching funds. The fund raising ceremony was launched at the Pegasus Hotel, which was well supported by the President of Guyana, the Public and Private Sector companies. The need was considered so great that Mr. Paul Persaud known as 'O' Haro personality contributed G$100 to this worthy cause.

The Institute started in a small rented building and opened its doors to the public on 1st January 1986. From this humble beginning IPED has received continuous growth, to day it's services are available countrywide and have five

(5) full time branches and nine (9) sub offices. Based on it's wide nature of activities and nation wide coverage and the policy of "Reducing Poverty" the Government of Guyana declared IPED as "A National Development Institution".

IPED's guiding philosophy has been, many little things done in many little places by many little people will change the face of the world. Thus, what is needed is to help people to help themselves to become their own bosses and not to provide handouts as handouts are self-defeating and create a dependency syndrome.

THE EXPERIENCES of IPED over the last sixteen (16) years has been of great importance in understanding creative/business cultures in different Regions in the country as well as to evaluate institutions own weaknesses and strengths. IPED has experienced its share of problems during 1995 – 1997, which resulted due to the lack of institutional experience in certain types of loan products and unsuitable methodologies. However, the Board of Directors realized what the trend was and corrective measures were put in place. To date IPED is much more stronger and capable of doing things with best practices in the credit distribution.

MICRO AND SMALL CREDIT is a specialized function. Unlike commercial banking Micro and Small Sector credit success much depends upon many other factors than money alone. Small businesses, either producers of agricultural products or manufacturing items, need special technical assistance and step-by-step counselling. Often these practices provide them with a "friend in need" along with credit. This works as a booster in creating successful completion of a project. These may seem simple but definitely quite specialized in nature and pain taking.

TYPES OF SERVICES IPED PROVIDES:

CREDIT SERVICES

MICRO AND SMALL CREDIT

- With non-collateralised but soft securities.

MEDIUM SIZE CREDIT

- Collateralised for graduating clients and new clients with growth potential.

In all types of credit our emphasis remains the creation of assets and stabilization of businesses with social stability. This needs an approach of a Development Financing Institute, which IPED is in real terms.

WHAT WE DO NOT FINANCE

CONSUMPTION LOANS

REAL ESTATE LOANS

MINING LOANS

WHY?

Because our objective is to:

a. Create wealth by empowering people and local resources development.

b. Provide supervise credit to create positive established social and economic environment in communities.

TERMS OF CREDIT

Credit terms depends upon project cycle. The rate of interest varies depending upon the nature of the loan.

MICRO UN-COLLATERALISED LOAN

Interest rate is higher than collateralised loan

SMALL & MEDIUM COLLATERALISED LOANS

Interest per annum is calculated on a declining balance 3 % below the commercial bank rate.

Progress of IPED in creating best practice environment of operations

As any other Institute, which has started with a simple dream of providing assistance to the marginalized poor, IPED too had it's resource limitations and operational simplicity. This became critical when a new type of Micro Finance products were launched in 1994 and 1996 and resulted in a decline in performance. However, it was recognised in time by the Chairman and the Board of directors and measures were put in place. A new General manager was appointed on the 1st January, 1998, with a clear mandate to revitalise the Micro Credit Loan Window and remodel IPED to deal with the challenges of the New Millennium.

In 1998 all efforts were made to train the Credit Staff in dealing with the Micro Credit clients an new and suitable loan products were developed to cater for the needs of the tiny but important entrepreneurs. Also efforts were made to expand the Small and Medium size loan Window. The results were encouraging at the end of 1998 IPED's loan portfolio increased from 1624 loans at the end of December 1997 to 3404 loans at the end of 1998, after which IPED's capacity to develop rural areas

entrepreneurs as well as enterprises was strengthened continuously.

To date IPED has very strong capabilities in areas of 'Best Practices".

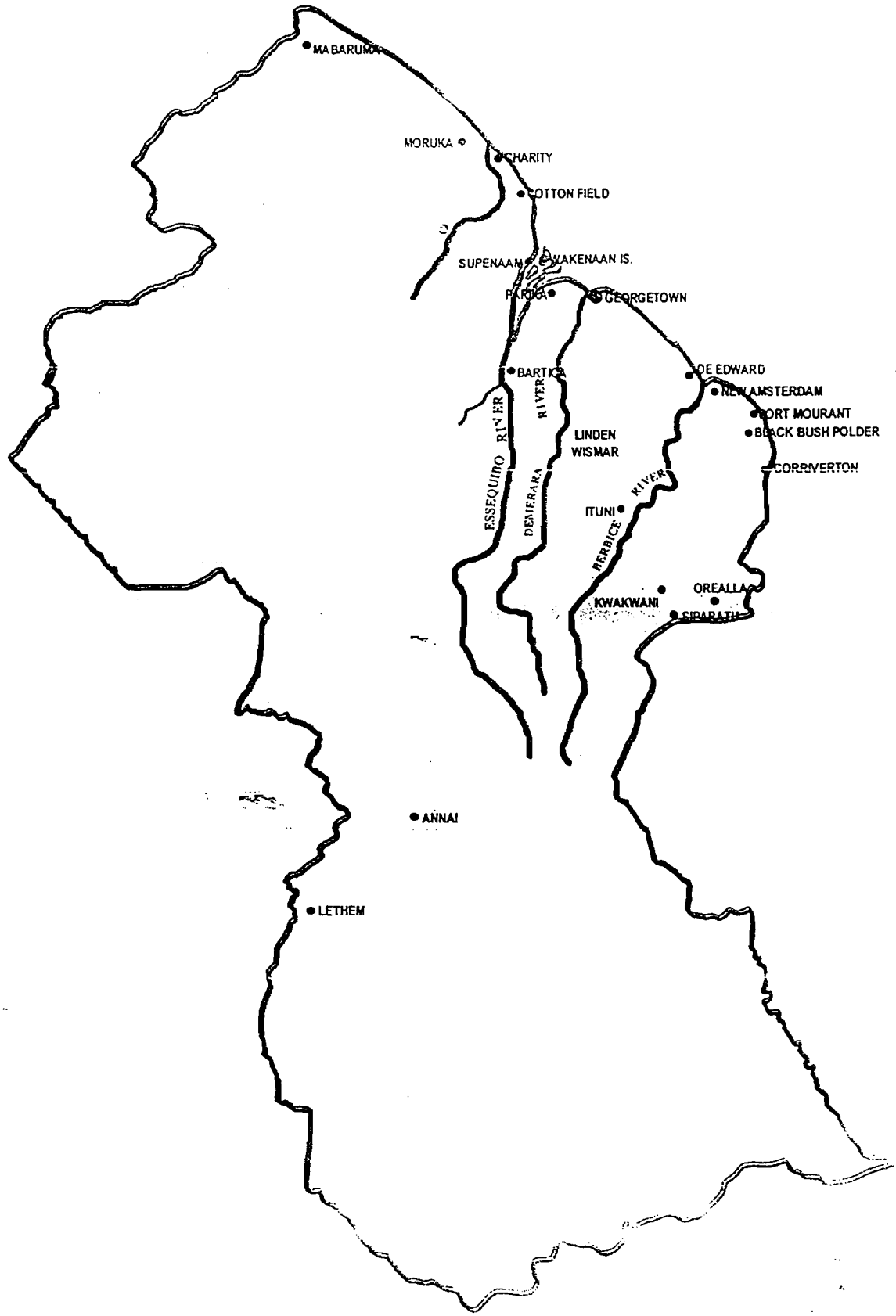
- Credit mythologies
- Suitable loan product creation
- Rural development net work
- International linkages with technical and financial service providers.
- In house Financial Management
- Strong Management Information Systems.

SCOPE OF OPERATIONS

IPED has a well-established Head Office in Georgetown, which operated as a control centre for all branches

- Essequibo, Parika West Coast Berbice and East Coast of Berbice.

Due to the wide spread nature of our population IPED also provide services to far reached out rural areas with sub offices which operate one or two days in a week. In total we provide services to all regions with the exception of 7, 8, 9. Region 9 is serviced in the North with North Rupununi Credit Centre, which was financed by UNDP and implemented by IPED.


MABARUMA
MORUKA
CHARITY
COTTON FIELD
SUPENAAM
WAKENAAN IS.
PARIKA
GEORGETOWN
BARTICA
DE EDWARD
NEW AMSTERDAM
FORT MOURANT
BLACK BUSH POLDER
CORRIVERTON
ESSEQUIBO RIVER
DEMERARA RIVER
LINDEN
WISMAR
ITUNI
BERBICE RIVER
OREALLA
KWAKWANI
SIPARATH
ANNAI
LETHEM

In addition to our regular loan products IPED has been able to develop systematic relations with many other development projects.

In 1999 IPED joined UNDP and the Ministry of Amerindian Affairs to establish Credit Facilities for Amerindian population in the North Rupununi where UNDP provided funds and IPED developed and implemented the Credit Project. I am proud to say that it has been a great success. This project was created to enhance the capacity of local population to manage and benefits from the credit scheme. To date it is successfully being run by the Amerindians themselves.

In 2000 IPED further took advantage to develop the Youth Business Trust along the line of Youth Business Trust U. K. this project was launched by His Royal Highness the Prince of Wales on 24th February, 2000 and implemented by IPED. This is going very well thought a little slow than desired.

In 2001 we further established co-operation with the Poverty Reduction Community Support Service Project when IPED agreed to disburse rural credit to develop small farmers and Micro Enterprises in targeted Regions in Guyana.

All these activities have been viewed as additional strength for the institution in terms of resources and capacity building.

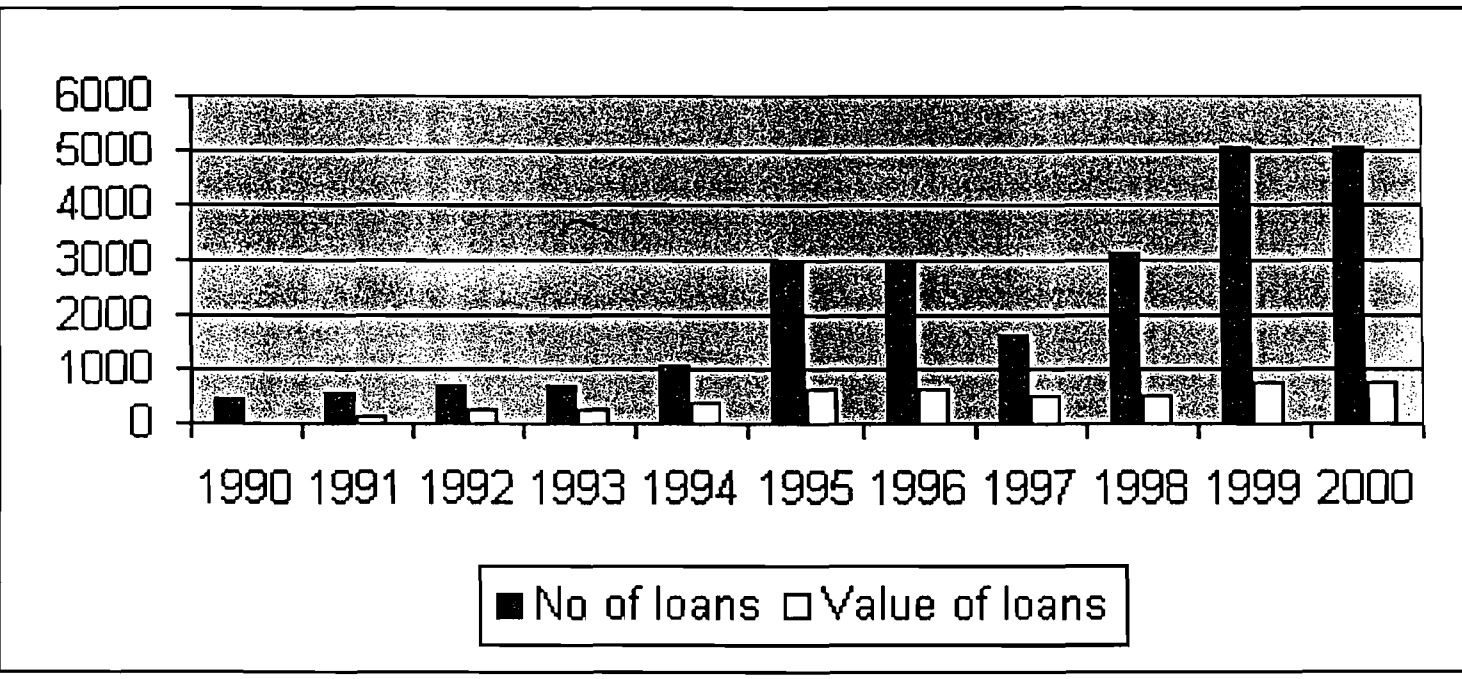
There are few major projects where IPED worked co-operatively to support other institutions as well as to strengthen its own capacity to deal with emerging realities with dynamic and innovative approaches.

MANAGEMENT REPORT

The year 2000 has witnessed the turn of the century and along with it came a change in thinking, which is to strength developing economies role in the Global Arena of trade and development. To fulfil this aspiration Institutions in developing countries needed to enhance their capacities and bring business like discipline in daily operations. In this respect IPED has strengthened its organizational structure and regulatory mechanics, special emphasis was placed during the year on productivity and methodologies. At the same time all efforts were made to ensure the portfolio's development, sustainability and expansion. During the year IPED has extended its services to a limited area in Region one mainly, Mabaruma and Port Kaituma and in Region 2 covered new areas in the Pomeroon River and Charity, and continued it's commitment for North Rupununi Credit facilities, expansion and sustainability in the best interest of the indigenous peoples' development. This has brought IPED's rural outreach coverage to all Regions in the country with the exception of Region 7 and 8.

However, services in Regions 1, 9 and 10 are not to the level of our satisfaction due to high administrative cost and very Limited market accessibility.

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
No of loans	462	540	660	665	1077	3029	2988	1624	3139	5057	5092
Value of loans	3.7	103.6	240.6	273.2	354.8	611.4	617.7	504.7	500.8	770.7	739.7



In spite of many Socio-political and economic problems, which were compounded by the floods in Mahaica and Mahaicony during the year, IPED has tried tirelessly to achieve it's target in both the Micro and Main Loan facilities. However, the overall environment was quite depressed and affected the Institution's performance. Under the circumstances, which the country was, experiencing it has been a nightmare to find gainful employment. Keeping it's trust in focus IPED has aggressively promoted Micro & Small Sector loans so as to provide earning opportunity for many who may have no other choice. During the year 2000 IPED financed over 5092 loans in this sector which in turn sustained and generated over 9000 jobs in the economy.

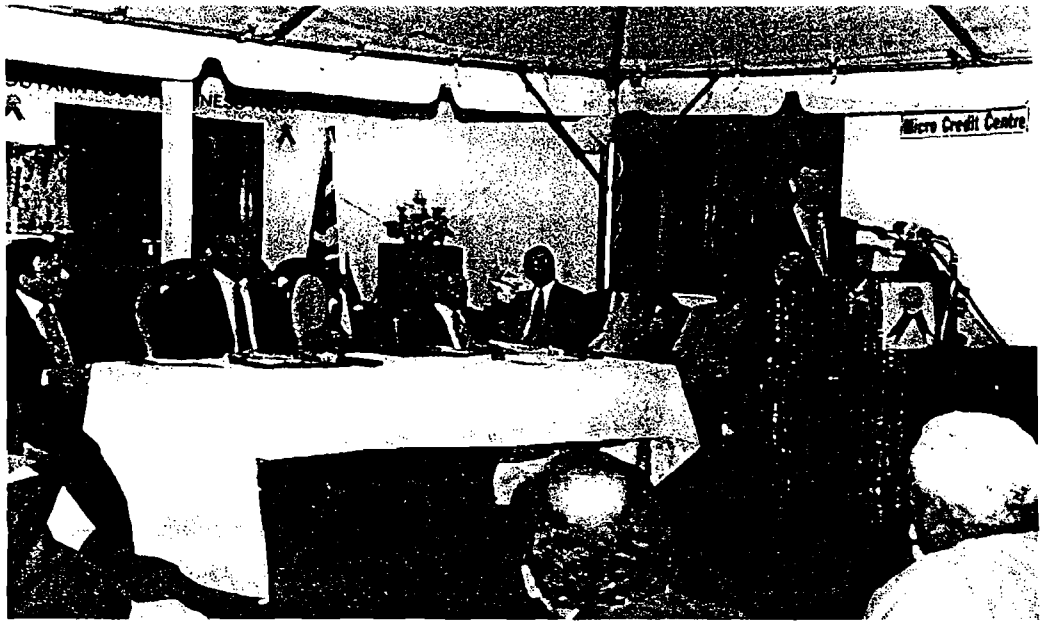
DIVERSIFICATION OF ECONOMIC ACTIVITIES

As a follow up to the initiative of transforming agro base activities into processing activities; IPED

has focused its efforts on new product development and export orientation. When economic downturn in private investment was evident and unemployment was on the rise IPED decided to widen its scope to help clients in creating new opportunities so as to be able to sustain effectively.

The Institute will continue to review its loan products and services to ensure that it is meeting the needs of its clients and creating the environment, which stimulates the growth of the small business sector in Guyana.

In the year 2000 IPED has contributed greatly in creating a new National Entity whose main objective has been the development of young entrepreneurs in harnessing their energies for national prosperity. The Guyana Youth Business Trust has been registered and launched by His Royal Highness, the Prince of Wales on 24th February, 2000.



The Trust has its own Caribbean flavour and is structured on the Youth Business International model. The Trust has been operational since April 2000 under the Supervision of

experienced personnel. It is important to note that the Chairman and the Board of Directors of IPED have graciously agreed to provide office space, security services and the use of it's information network free of charge.

Entrepreneurial Development and Training Centre

We are proud to state that in the year 2000 the Training Centre has provided training to over 2000 Micro and Small clients and at the same time was able to deliver Entrepreneurial Skills Development and Managerial Training to other organizations.

Below is the Group of trainees who received their certificates from His Excellency Bharrat Jagdeo The President of the Republic of Guyana.

SMALL BUSINESSES ASSOCIATION OF JAMAICA

PRESENTATION
FROM ANDREA GRAHAM
To Meeting of Caribbean Small Business Entrepreneurs, Organization and Agencies

April 3 – 5, 2002
"Economic Commission for Latin America and the Caribbean (ELAC)"

MR. CHAIRMAN, DISTINGUISHED GUESTS, FELLOW PARTICIPANTS IN CONGRESS, I BRING YOU GREETINGS FROM THE ISLAND OF JAMAICA.

I USE THIS SAME MEDIUM, ON BEHALF OF THE SMALL BUSINESSES ASSOCIATION OF JAMAICA (SBAJ), TO EXTEND SINCERE THANKS FOR YOUR INVITATION TO PARTICIPATE ON THIS IMPORTANT OCCASION, WHICH I ANTICIPATE WILL CONTRIBUTE IMMENSELY TO THE REQUIRED GROWTH AND SUSTAINABLE DEVELOPMENT EXPECTED WITHIN SMALL BUSINESSES AND MICRO ENTERPRISE SECTORS.

FIRST, LET ME TELL YOU A LITTLE ABOUT THE SMALL BUSINESSES ASSOCIATION OF JAMAICA (SBAJ) FOR WHICH I AM PRESIDENT FOR TWO CONSECUTIVE ADMINISTRATIONS – 2001 TO PRESENT.

THIS NOBLE ORGANIZATION IS A MEMBERSHIP, NON-PROFIT AND VOLUNTARY ORGANIZATION FOUNDED IN 1974 TO REPRESENT THE SMALL BUSINESS SECTOR IN JAMAICA.

OUR PRIMARY FUNCTIONS INCLUDE CONDUCTING TRAINING PROGRAMMES THROUGH SEMINARS/WORKSHOPS FOR ENTREPRENEURS, HOSTING OF CONVENTIONS AND EXPOSITIONS, CONSULTANCY SERVICES ON BUSINESS RELATED OPERATIONS AND INTENSE LOBBYING WITH THE GOVERNMENT OF THE DAY, ON MATTERS AFFECTING OUR MEMBERS, THE WIDER SECTOR AND THE REST OF THE WORLD.

THERE IS ALSO A SLOT FOR THE **"STREET VENDORS"**, ON WHOSE BEHALF WE SPEAK ON MAJOR ISSUES.

THE SBAJ BEARS THE SYMBOL OF QUALTIY FOR THE PRODUCTION OF HIGH STANDARD PRODUCTS AND SERVICES DEEMED NECESSARY TO ENHANCE THE CAPABILITIES OF SUCCESSFUL BUSINESS OPERATORS.

OUR MEMBERSHIP SPANS THE MANUFACTURING, SERVICES, PROFESSIONAL, TRADERS AND AGRO-INDUSTRY SECTORS.

I MYSELF IS A GARMENT MANUFACTURER AND FASHION DESIGNER, MY COMPANY IS A MEMBER OF THIS SAID ORGANIZATION WHICH REPRESENTS TO A GREATER EXTENT, ALL MICRO-ENTERPRISES IN JAMAICA

THE JAMAICA MICRO AND BUSINESS SECTORS

CLASSIFICATION OF THE SMALL AND MICRO-BUSINESS SECTORS IN JAMAICA DENOTES THAT THERE IS NO GENERALLY ACCEPTED INTERNATIONAL DEFINITION OF MICRO- AND SME's, WHILE THE TERM **"MICRO- AND SME"** HAS BEEN OFFICIALLY DEFINED IN A NUMBER OF COUNTRIES, FOR THE PURPOSE OF QUALIFYING FOR INCENTIVES.

THIS DEFINITION HOWEVER, VARIES WIDELY FROM COUNTRY TO COUNTRY, AND THE BASIS FOR WHICH, VARIES ON THE ASPECT OF FACTORS SURROUNDING EMPLOYMENT, FIXED ASSETS, SALES, VOLUME/SIZE.

THESE SECTORS ARE A MIXTURE RANGING FROM THE VERY SMALL ENTERPRISES IN THE COTTAGE SECTOR TO THE RELATIVELY LARGE-SCALE UNITS.

IN JAMAICA AND THE CARIBBEAN IN GENERAL, WE REFER TO A SMALL BUSINESS AS:-

- ANY ENTERPRISE WHOSE CAPITAL INVESTMENT IS JA$10 MILLION OR LESS, WHOSE REGULAR PAY-ROLL

EMPLOYEES ARE HUNDRED PERSONS OR LESS AND WHOSE PRINCIPAL BUSINESS ENGAGED IN IS PRODUCTION

- ANY ENTERPRISE WHOSE CAPITAL INVESTMENT IS JA$10 MILLION OR LESS, WHOSE REGUALR PAY-ROLL EMPLOYEES ARE HUNDRED PERSONS OR LESS AND WHOSE PRINCIPAL BUSINESS ENGAGED IN ARE TRADING OR SERVICES

IN JAMAICA AND THE CARIBBEAN WE REFER TO MICRO BUSINESSES AS:-

- ANY ENTERPRISE WHOSE CAPITAL INVESTMENT IS JA$2 MILLION OR LESS, WHOSE REGULAR PAY-ROLL EMPLOYEES ARE TEN (10) PERSONS OR LESS AND WHOSE PRINCIPAL BUSINESS ENGAGED IN IS PRODUCTION;

- ANY ENTERPRISE WHOSE CAPITAL INVESTMENT IS JA$2 MILLION OR LESS, WHOSE REGULAR PAY-ROLL EMPLOYEES ARE FIVE (5) PERSONS OR LESS AND WHOSE PRINCIPAL BUSINESS ENGAGED IN ARE TRADING OR SERVICES.

THE ACTIVITIES COVER A WIDE RANGE OF BUSINESSES INCLUDING SMALL FARMING, MANUFACTURING, SERVICE-

ORIENTED COMPANIES SUCH AS COSMETOLOGY, TRANSPORTATION, FOOD PREPARATION, CATERING AND SALES.

THE MICRO AND SME's POSSES CHARACTERISTICS SUCH AS:-

- MAKING AN IMPORTANT CONTRIBUTION TO THE TOTAL MANUFACTURING OUTPUT
- CONTRIBUTION TO TOTAL EMPLOYMENT
- FLEXIBLITY
- CONSTITUTING A SOURCE OF NEW PRODUCTS AND INNOVATIONS.

MOST OF THE FINAL PRODUCTS OF MICRO AND SME's CATER LARGELY TO THE BASIC NEEDS, FOR E.G., FOOD, CLOTHING, FURNITURE, HANDICRAFTS, MAINTENANCE AND SERVICES (TECHNOLOGY). RELATIVELY LESS IMPORTED MATERIALS AND EQUIPMENT ARE ALSO USED WHILE THE LARGE BUSINESS SECTOR IS VERY MUCH DEPENDENT ON SUCH IMPORTS.

STATISTICS SHOW THAT OVER THE PAST YEARS, THE MICRO AND SME MANUFACTURING SECTOR, HAS BEEN ONE OF THE MOST IMPORTANT SECTORS IN THE JAMAICAN ECONOMY ALTHOUGH IT'S POTENTIAL IS YET TO BE FULLY EXPLOITED. AT THE SAME TIME, IT IS THE MOST DIVERSE SECTOR

COMPRISING MANY SUB-SECTORS, EACH WITH PECULAR PROBLEMS AND OPPORTUNITIES. THE LARGEST SUB-SECTORS ARE APPAREL/FASHION, AGRO/FOOD PROCESSING, CRAFT/GIFTS, WOODWORKING/FURNITURE. TOURISM-ORIENTED INDUSTRIES AND SERVICE PROVIDERS.

DESPITE THE FACT THAT A SMALL PERCENTAGE OF THESE BUSINESSES ARE ENGAGED IN REGIONAL TRADE, OUR STATISTICS SHOW THAT THESE SMALL ENTERPRISES COMPRISE A LARGE SEGMENT OF THE DOMESTIC MARKET.

BASED ON PARTICIPATION AT OUR MONTHLY MEETINGS AND OTHER FORUMS, I CAN ASSURE YOU THAT SOME 40% OF THE SMALL BUSINESSES OPERATE FROM THEIR HOMES WHILE THE REMAINING 60% OPERATE OUT OF COMMERCIAL PROPERTIES, MOST OF WHICH ARE RENTED. IN OTHER WORDS, THE MAJORITY OF THOSE WHO OPERATE FROM THEIR HOMES ARE IN FACT OCCUPYING RENTED PREMISES.

IT IS EVIDENT THAT QUITE OFTEN MOST OF OUR SMALL BUSINESS OPERATORS EXPERIENCE SEVERE PROBLEMS IN THEIR RESPECTIVE BUSINESS OPERATIONS. ON MOST OCCASIONS THE PROBLEMS MAY BE LOOKED AT AS

UNAVOIDABLE DUE TO A DOWN TURN IN THE ECONOMY OR OTHER VARIABLES.

LACK OF GROWTH AND DEVELOPMENT

RETARDING GROWTH AND DEVELOPMENT IN MICRO-ENTERPRISES IN MY OPINION, CAN ASSIST US TO DETERMINE BEST PRACTICES, WHICH WILL IN EFFECT REVIVE THESE BUSINESSES AND KEEP THEM ALIVE AND GROWING.

AS A SMALL BUSINESS OPERATOR, I FEEL IT IS OF VITAL IMPORTANCE TO PRACTICE GOOD ACCOUNTING.

LET ME SHARE WITH YOU MY PERCEPTION AND PERSONAL EXPERIENCE REGARDING GOOD ACCOUNTING PRACTICES.

FIRST AND FOREMOST, I MUST EMPHASIZE THAT THERE ARE MANY SMALL COMPANIES THAT DO NOT KEEP PROPER/UP-TO-DATE REORDS. I BELIEVE THAT MODERN TECHNOLOGY HAS PROVIDED US WITH THE NECESSARY TOOL FOR RECORDING OUR DAILY BUSINESS TRANSACTIONS. THEREFORE, "GONE ARE THE DAYS" WHEN WE HAD TO EMPLOY THE SERVICES OF AN ACCOUNTING FIRM ONLY WHEN OUR BANKERS INSIST ON OBTAINING FINANCIAL STATEMENTS.

NEVERTHELESS, THERE IS THE NEED FOR AN AUDITOR AT LEAST ONCE OR TWICE PER YEAR TO VERIFY OUR IN-HOUSE FIGURES.

FROM THE SOLE PROPRIETOR TO THE LIMITED LIABILITY COMPANY, IT IS NOW A SIMPLE TASK TO KEEP UP-TO-DATE ACCOUNTS AT ALL TIMES.

MICRO-ENTERPRISE PROPRIETORS MUST BE ABLE TO KNOW THE EXTENT OF THEIR RECEIVABLES AND HOW THE MARKET IS RECEIVING THEIR PRODUCTS SO THAT THEY CAN PLAN FOR THE FUTRUE.

IT IS IMPERATIVE THAT SMALL BUSINESS OPERATORS SHOULD SEEK TRAINING OPPORTUNITIES IN ORDER TO EFFECTIVELY MANAGE THEIR OWN BUSINESSES. IT IS ALSO IMPORTANT THAT AS SMALL BUSINESS OPERATORS, WE SHOULD UNDERSTAND THAT UNLESS WE ADEQUATELY TRAIN OUR STAFF TO DEVELOP PROFESSIONALISM AND EXPERTISE, IT WILL MORE CHALLENGING TO COMPETE IN THE GLOBAL MARKET.

IT IS ALSO IMPORTANT TO NOTE THAT EFFICENCY IN DELIVERING **"CUSTOMER SATISFACTION"** WILL DETERMINE OUR SUCCESS OVER OUR COMPETITORS.

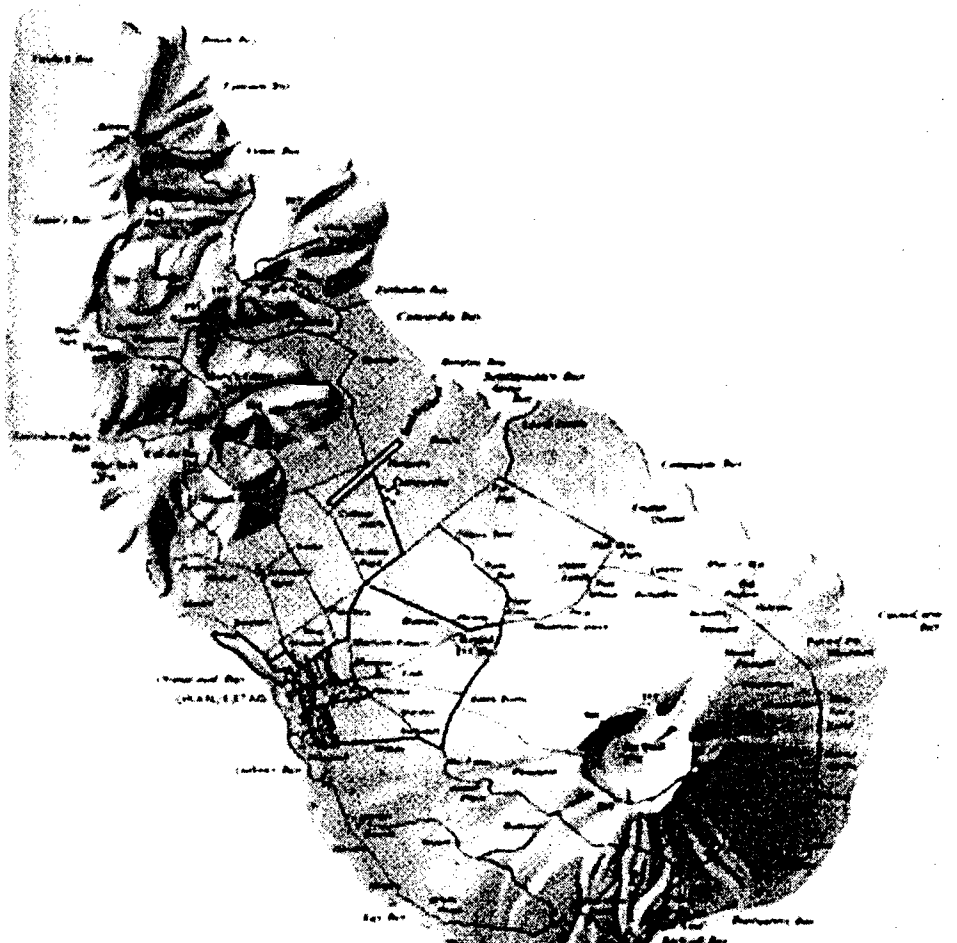
IN ADDITION, OUR MODUS OPERANDI NEEDS TO BE REVIEWED ON A CONTINUOUS BASIS, AND SELF MOTIVATED IN OUR QUEST FOR EFFICIENCY AND A VIBRANT BUSINESS.

IN CLOSING, I WOULD LIKE TO LEAVE A THOUGHT WITH YOU ALL THAT "80% PRACTICE AND 20% PERFORMANCE" IS WHAT WILL DETERMINE A WORLD CLASS BUSINESS.

THANK YOU

ANDREA GRAHAM (MISS)
PRESIDENT
SMALL BUSINESSES ASSOCIATION OF JAMAICA (SBAJ)

St. Eustatius

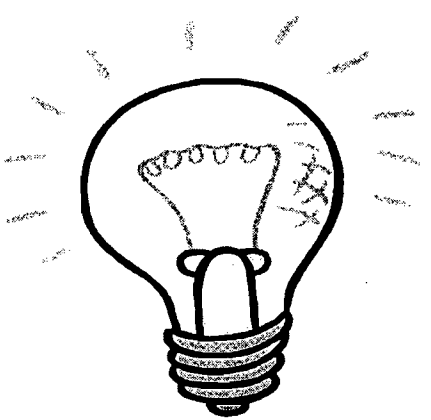


St.Eustatius Enterprise Foundation (SEF)

The Business life on St. Eustatius

SEF Mission Statement

To **assist** the Micro and Small Enterprises in developing into a **vibrant, viable** part of the overall economic development of the island.

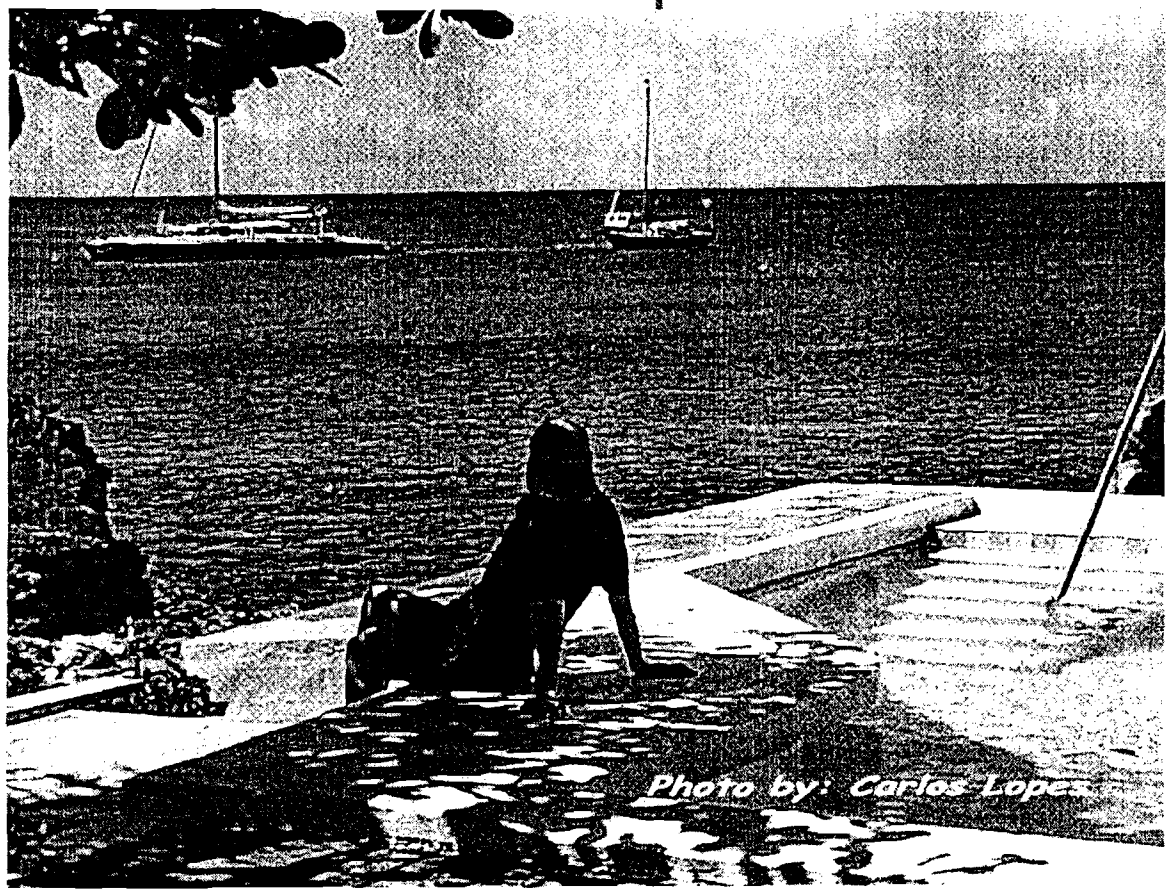


Reality of the ST. Eustatius SME's

- Lack of officially identified potential economical areas
- Lack of governmental policies
- Lack of accessible statistical data to support planning and policies
- Lack of entrepreneurial aptitude development (skills development)
- Limited access to affordable finance

SEF

positive move in addressing the deficiencies in the present realities

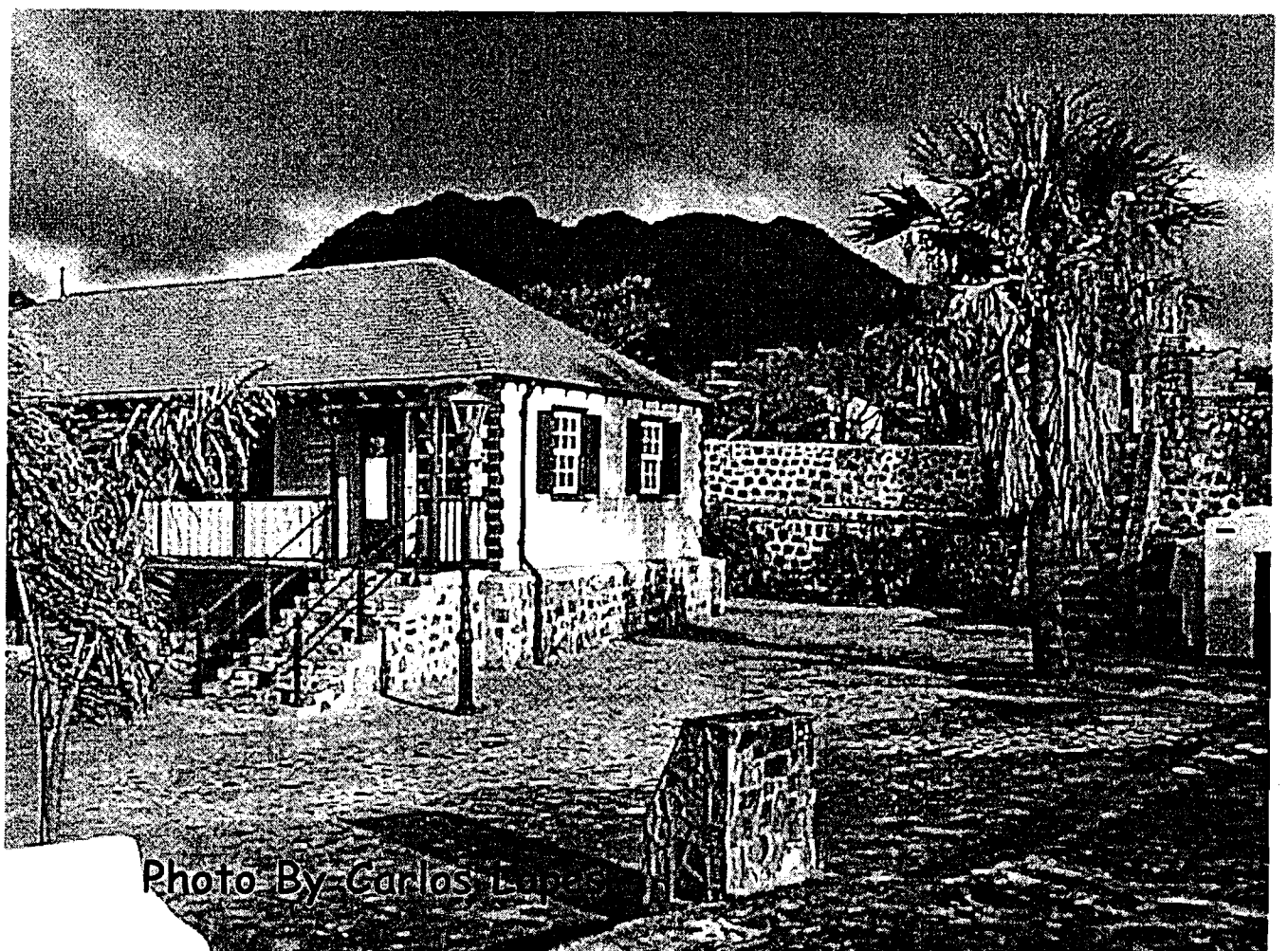


Most popular trainings executed by SEF

* E-business/e-commerce

*Marketing

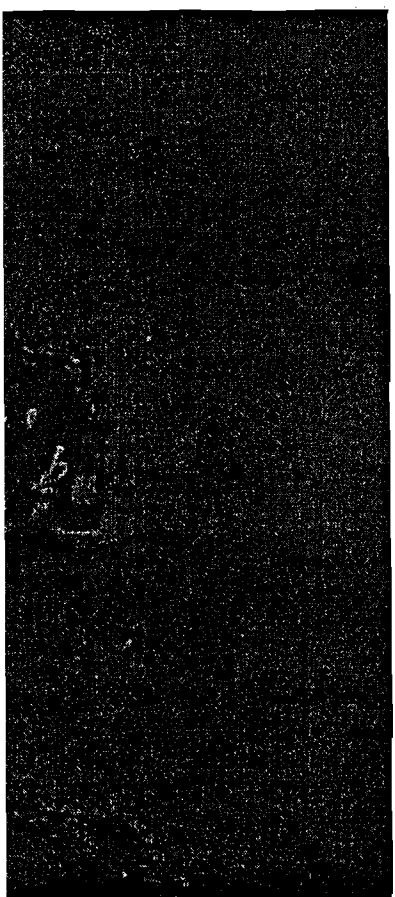
Improve your profit with better marketing



*Starting a business

What are the requirements for star
and what are the legal procedur

rting a business,
es to follow.



Upcomin

*Basic bookkeeping

*Customer relation

*Quickbooks

*Working with tax return forms

g courses

Objectives of Training Course

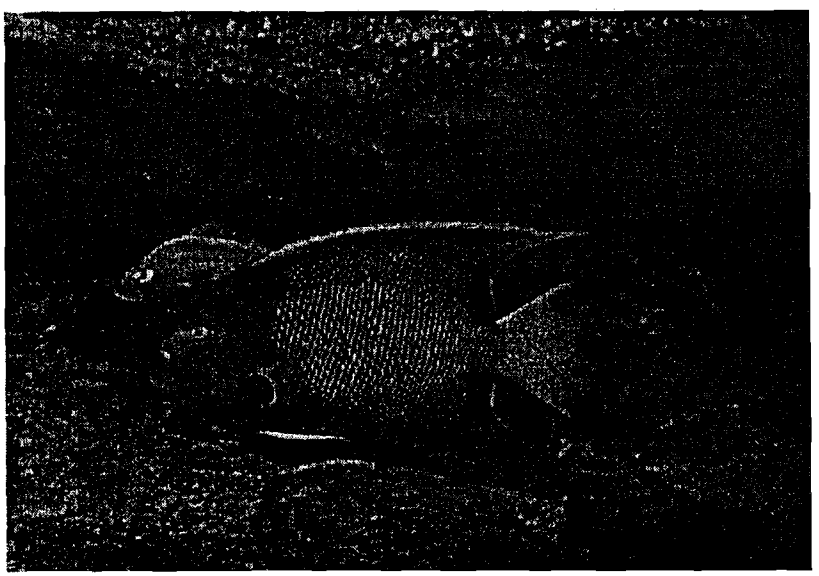
To provide entrepreneurs of Micro and Small business with certain basic tools and knowledge so as to become more successful and professional in their business.

The major employers of St. Eustatius are:

- Statia Oil Terminal (largest Employer)
- Island Government
- Tourism Sector
- Construction
- Fishing/Farming
- Other small business

DIVERSIFICATION

- Business consultancies
- Law offices
- Educational institutes
- Furniture stores
- Pet shop
- Autoparts-shop
- Electronic appliances
- (Light) Manufacturing



SEF's Contribution

St. Eustatius Enterprise Foundation encourages persons interested in starting their own business to take an interest in different types of businesses, that is needed on St. Eustatius

- Organizing conferences and workshops
  - » Business advice
- Facilitating access to information

Concluding Remarks

SEF successes

- Highly accepted by the target group
- Acts to stimulate government to develop specific SME policies
- Initiated to create open channels of net work with commercial financial institutions
- Began building on the acceptance to become the trusted partner with the clients (SME's)

Conference Expectations

We look forward to these tangible results from the conference:

- That the recommendations create the groundwork for a policy frame work that the (smaller) islands can flesh out without too much allocation of already scarce resources
- A compiled comprehensive list of funds sources, requirements incl. Contact persons and addresses
- We contribute some recommendations to all participating countries that will enable the region to move forward together in the area of SME development

SESNA
CURAÇAO

Distinguished participants,

It's a great joy to share with you some information on our vision and accomplishments regarding the micro, small and medium-sized business sector. We have been working very hard to realize the goal of our Curaçao Small Business Development Center, whose main goal is to help in creating, sustaining and growing successful small business enterprises.

But first, if you will permit me, I would like to congratulate Mr. Donathus St Aimee and his staff with their great accomplishment of organizing this conference. In particular we too feel the joy of having realized such a large group of Caribbean entrepreneurs being together, because the whole idea started with Mr. St. Aimee being on a mission in Curaçao to produce a video on Caribbean small business enterprises. One way or the other, hearing about the Curaçao Small Business Development Center inspired him to discuss the concept furthur, in particular the view of joining forces as Caribbean Small Business Entrepreneurs and Institutes. He inmediately invited a colleage, mr. Eugene Ong a kwie and I to meet him the same evening at his hotel. Unfortunately, Mr. Ong a Kwie can't attend the conference due to sickness.

Okay, the initial idea of having a first workshop to create a Caribbean network last december in Curaçao has been adjusted to holding this conference as a kind of extending the basis by first discussing the idea with the other islands. But this makes us even more confident that the ideal of bringing the caribbean small business sector together, will be realized. It is always better to start from the basis, because afterall we all must share the vision.

Let's go back now to our Curaçao Small Business Development Center. Curaçao SBDC, just like the other organization of the Netherlands Antilles present at the conference, SESNA, is an initiative of ADECK, the Curaçao Association of Small Business Entrepreneurs. As a member of the faculty of the School of Business of the University of the Netherlands Antilles I have been approached by the association to assist them in setting up an institute which in a non-bureaucratic manner could support Small Business Enterprise. After a few brainstorming sessions, we agreed upon the following characteristics for the organization.

- A tripartite approach, including government – knowledge institutes – small business sector
- Strategic Alliances, local and regional
- Main goal is to form, to sustain and to grow succesful small businesses
- Non-barier support
- International affiliation (USA)

Tripartite Approach

The tripartite approach recognizes the importance of all three sectors with their distinctive responsabilities for the succes of the small business sector. For the small business entrepreneur to be succesfull we must include the government, to set out relevant policies for the entrepreneur and knowledge institutes to provide up to date practical knowledge for the small business sector.

Government

In this particular case the ministers of economic affairs on both levels, the Netherland Antillian and the government of the island of Curaçao are co-founders and are funding the center. The financial contribution of the government is not considered to be a subsidy buth rather an investment. The return on this investment (ROE) must be calculated as the amount of jobs created in, or the amount of taxes collected from this sector. This is stipulated in a contract. So, just like any other businessman, the government may conclude whether it was a good or a bad investment.

University of the Netherlands Antilles

Regarding the knowledge institute, the School of Business of the University of the Netherlands Antilles is the partner. The role of the university will be to develop courses for and make those courses available to the entrepreneur. Also the university will conduct research regarding the effectiveness of the program.

Strategic Alliances

The idea behind the formation of strategic alliances is for all the actors in the sector to work together, developing a joint vision, pooling the use of our limited resources together, sharing positive and negative things together, etc.. Our strategic partners are besides the founding father Curaçao Association of Small Business Entrepreneurs (ADECK), the governments and the university:

- The Foundation for Micro Lending, created by the Maduro and Curiel's Banc
- Innovation Center Curaçao

- Florida Small Business Development Center Network (FSBDCN)

Foundation for Micro Lending ('Fundashon Maishi Chiki')
The foundation for micro lending, created by Maduro & Curiel's Banc, has outsourced all its activities to Curaçao Small Business Development Center. The foundation caters especially for micro business and finances the micro entrepreneur up to ANG. 2,000.00 which are approximately USD 1,100.00. The micro entrepreneur also receives training and counseling. This very delicate and time consuming counseling is now the responsibility of Curaçao SBDC, as well as the whole lending proces and administration.

Innovation Center Curaçao
Our strategic alliance with the Innovation Center of Curaçao makes it possible to draw from the vast experience that this center has in coaching and evaluating projects, especially involving new technology.

Florida Small Business Development Center Network (FSBDCN)
A great achievement is our alliance with FSBDCN. During a visit of their headquater in Pensacola, with a delegation headed by the Minister of Economic Affairs in November 2000, a letter of itent was signed between Adeck., the Government of the Netherlands Antilles, the Government of Curacao, the University of West Florida and Florida Small Business Development Center Network.
Based on this letter of intent we enjoy full cooperation for all our activities, including training of trainers of counselors, all procedures, software, etc. Important to be stated is that all activities from Florida are evaluated and adopted according to our business culture.

The director, Mr. Jerry Cartwright is a member of the board of Curaçao SBDC. According to Mr. Jerry Cartwright, because Florida consider themselves to be part of the Caribbean, they want to be more active and supportive in the region. He has expressed his willingness to assist in establishing our Caribbean network, if we wish to. Already entrepreneurs of Florida are in contact with SBE's from Curaçao. We all know how tremendous business opportunities exist especially in Miami.

Non-Barier Support

The concept on which our center is based, includes complete absence of any barier. This means that no fees will be charged for the counseling. After the intake, the entrepreneur will have to follow an eight module course in business skills. This will bring him or her to the level that he or she can participate and understand the counseling. Once the business has matured, the counseling will be cancelled. From that point it is the responsibility of the entrpreneur to look for his or her own consultant.

International affiliation (USA)

The characteristic of international affiliation comes out of the awareness that with the fast changing and globalizing world-economy the approach of focusing solely on the local small business entrepreneurs doesn't hold. Small business entrepreneurs must stretch their wings across international borders to broader horizons.

Through FSBDCN, Curaçao SBDC has become an affiliated member of the more than 1,400 members counting association of SBDC in the USA. By this membership we aim to maintain and improve a strong organization and

more important to establish the links for local entrepreneurs to USA business opportunities.

1st Caribbean Entrepreneurial Conference

Conclusion

- the problem of such organizations is that very soon you will get experienced administrator
- But at the same time we have realized that for the small business entrepreneur to become, to be or to contin ue to be succesfull he or she cannot achieve this goal only by keeping looking inwards.
- It has been said so many times, we are so close and still we don't know each other.
- If we never see each other we will even miss the chance of love at first sight
- UNA, knowledge center for the caribbean – dean of school of business

SMALL AND MEDIUM SIZE ENTERPRISES (SMEs) AS A CATALYST FOR RURAL DEVELOPMENT

A PAPER
PRESENTED AT THE REGIONAL WORKSHOP
ON SMEs
IN
CASTRIES, ST. LUCIA

2002 APRIL 3-5

BY
THOMAS BURTON

RURAL AGRICULTURAL DEVELOPMENT
AUTHORITY (RADA)

JAMAICA

BACKGROUND

Jamaica is an island of 1,609,932 Ha with an agricultural area of 503,240 hectares and a population of approximately 2.6 million people. Of this population 1,129,200 or 43.4% reside in the urban Kingston and St, Andrew (capital) and St. Catherine region (STATIN 2000). The other eleven (11) parishes accounts for the remaining 56.6% of the population ranging from a low of 67,500 (2.6%) in Hanover to 228,300 (8.8%) in Clarendon.

At the end of 2000, the labour force stood at 1,105,300 with net employment falling to 933,500. Males accounted for 55.6% of the labour force and 59.2% of employed persons accounting for 552,400 of the employed as against 381,100 females.

Approximately 27% of the total workforce is engaged in farming activities. The majority of the farmers (52.2%) own on average less than 0.405 Hectares, while 19.5% of farmers possess 2 to less than 10 hectares with only 0.5% of the farmers owning farms of more than 40.50 hectares in size. The majority of food produced for local consumption is from those farms of 0.405 hectares and less.

Infrastructural development will have to be addressed in deep rural communities to encourage job creation and curb the migration to cities. This migration increases population pressures in the cities resulting often times in antisocial behaviour. Any intervention towards job creation will have to bear the above in mind.

Before the mid fifties, Jamaica had principally an agricultural economy and in 1950 agriculture contributed 31.5% to the GDP. There has been a continuous decline, however, and by 1990 this had moved to 5.2%. At the end of 2000 it had moved up to 7.1%. This came about as a result of the industrialization strategy of the mid fifties along with the shift to manufacturing and services. It has been shown, however, that when ever there is a decline in agriculture, the GDP also shows a significant decline.

TRAINING

To revitalize the rural communities and prevent the rural to urban drift, people must be channelled into the agricultural sector through small and medium size enterprises. This will require an expansion in training programmes which will provide the technology and management skills needed to support transformation of the production systems.

For SMEs to be efficiently run, a highly skilled workforce is required and modern technology must be applied. Training in this regard has been provided by the following organizations/institutions:

a) **Small Business Association of Jamaica (SBAJ)** offers training, counselling, referrals and other vital services to its members and the sector as a whole.

b) **The Entrepreneurial Centre – University of Technology** offers training in business management and entrepreneurship along with the provision of business advisory and consulting services.

c) **Jamaica Exporters Association** – Business Technology services. Provide market information services and software which generates export documentation, cash flow projections, inventory control as well as training programmes to the business sector. They also provide grants and short term financing mechanism with favourable interest rates.

d) **Business Development Services Project.** This is a project of the Ministry of Industry, Commerce and Technology funded from the Government of Jamaica and the Netherlands Micro Enterprise Project. The main focus is to co-finance demand-led training for micro enterprises to enhance their competitiveness and profitability. Accredited private training providers are encouraged to competitively

identify training in demand by micro enterprises and design programmes to address the identified needs/demands.

e) **National Development Foundation of Jamaica.** Offer services to clients and the general public in a wide area of disciplines with emphasis in entrepreneurship. Loans are also available at affordable interest rates.

f) **Rural Agricultural Development Authority (RADA).** As the extension arm of the Ministry of Agriculture, RADA has as one of its mandates the provision of training to improve the standard of living of the farm family and to make them more competitive in the global marketplace. Training is provided in all agriculturally related disciplines.

POLICIES AND PROGRAMMES

Government policies during the past year were focussed on providing the necessary support, particularly to the productive sectors to facilitate economic growth. Emphasis at the macro level concentrated on providing lower cost funding (11.5 – 13%), while at the micro level policies centred on improving competitiveness of traditional and non-traditional commodities in the domestic and export markets.

Some of the major areas of emphasis were:

- Continued implementation of projects and programmes with the objective of increasing production and productivity for the local and export markets and accelerating the development of agro industry.

- Improving of physical infrastructure serving agricultural activity (feeder roads, irrigation, etc.)

- Providing support through research and development and extension services with particular emphasis on improving crop care services to farmers.

- Increasing use of information technology to provide market intelligence to the various publics.

- Facilitating exports through the development of a more efficient and coordinated regulated framework.

- Increasing the monitoring of imports to help curb the dumping of inferior goods.

- Continued rehabilitation of coffee, banana, sugar, citrus, livestock and domestic crops sub sector.

These initiatives were supported by a number of new projects and programmes, for example:

Agricultural Support Services Project (ASSP)

The Banana Support Project

The Fruit Tree Crop Project

The Eastern Jamaica Agricultural Support Project (EJASP)

The Domestic Food Crop Production and Marketing Project (DFCP&MP).

The ASSP

Funding will be made available to groups in supporting them to be more competitive for export production to increase incomes and economic growth. Some areas to be considered are research, marketing information, adherence to sanitary and phyto sanitary regulations, project preparation for funding and training.

Banana Support Project

Inputs are bulk purchased and sold to farmers at cost, so they benefit from bulk pricings. Infrastructure development is also provided including water management, disease control and information systems.

Fruit Tree Crop Project

This Project is designed to provide raw material inputs to the agro processing sector and for the export market by establishing 1,700 new hectares over three (3) years. Selected number (13) of fruit trees identified for production and planting materials provided at 20% of cost. Surplus will go into the local market with the hope of lowering the current high prices. Fruits that formally were allowed to go to waste will now be processed.

EJASP

An E.U./GOJ project aimed at improving production and productivity in specified locations. A maximum grant of J$20,000 per beneficiary depending on enterprise and farm plans submitted. Domestic and non traditional export markets targeted.

DFCP&MP

A project targeting eight (8) domestic crops with export potential aimed at bringing their production levels back to those of 1996. Markets will be identified for these products to encourage sustained production.

One consideration is for the medium size producers to provide for the export and agro processing markets and the small producer to supply the domestic market.

SPECIFIC INTERVENTIONS

a) **Revolving Goat Projects**: Jamaica currently produces only 14% of our demand for goats flesh. As such a ready market exists for this product where demand outstrips supply. One intervention has been to import improved breeds with larger sizes and mate them with the local breeds. Pregnant ewes may also be distributed and the first female kid that is born goes to another beneficiary to continue the process. Herds are thus built up to hopefully increase meat production. A look is also being taken at milk breeds for cheese production.

b) **RADA/Sandals vegetable production programme**: A look was taken at the requirements for exotic vegetables in the hotel sector. The Sandals chain approached us with the proposition that they will supply the farmers with the seeds of the required varieties on credit to be repaid on sale of the products. Our responsibility is to provide the required extension support. This was accomplished and the project is a success resulting in large foreign exchange savings for the country and excellent prices for the groups (6) of farmers thus benefiting their respective communities through greater disposable incomes. Other companies are now working at replicating this model in other rural communities.

c) **Small Poultry Production Projects**: Some 18-20% of the poultry meat consumed locally is produced by small operators with 100-200 bird units. Under various government enabling schemes, unemployed females are generally targeted and provided with the inputs to start these operations with the hope that they will revolve the proceeds and eventually expand their production. This has been working, and local village shop operators do not have to travel to the town centres to purchase their supplies as it is obtained locally. The returns are spent back in the communities, leading to greater development as artisans have more coops to construct, the producers have more disposable income and more work is provided. Total broiler production for 2000 was 77,125 tonnes. (Companies i.e. Contract Growers).

Along with the foregoing, development takes place in rural areas through the operation of "input supply", stores to satisfy these projects. Farmers do not have to travel to the major towns to acquire input as entrepreneurs now open businesses in the local areas to provide these services. As a result of this new employment is created, thus developing more rural communities resulting in a reduction of the trek to town centres seeking employment. All the attendant savings can now be ploughed back into the local commodities.

d) **RADA's Agro Processing Ventures**: RADA's Social Services/Home Economics Department in its outreach programmes and training exercises have sought to empower communities by targeting particularly unemployed persons and introducing them to agro processing ventures. Some of these are production of:

Banana, plantain, cassava, breadfruit and dasheen chips

Production of tamarind balls

Processing of peanuts into various products

Production of bammies from cassava.

e) **Lime Tree Gardens Peanut Project:** RADA initiated the development of a small peanut processing operation involving 10 women in a district in rural Jamaica. As a result of this, twenty farmers became involved in the production of peanut, a crop that was not produced in this area prior to the processing operations. The plant therefore had a guaranteed supply of raw material.

It was necessary to improve rural infrastructure to support the increased activities. Consequently to support this development, rural rehabilitation was undertaken to facilitate the transportation of peanut and other produce. Rural electrification was expanded, a proper water supply scheme implemented, there was increased attendance at schools, and sales increased in local shops as a result of all round improvement in economic activities.

This is in line with Government's industrial policy, which states that the Government will foster increased value, added production through the forgoing of strategic alliances between farmer and processors.

The Government also identified Agriculture as a *Strategic Cluster* necessary for economic development. The focus of this cluster is the development of agro processing integrally linked to domestic production so as to develop distinctly Jamaican foods. The policy also states that the development of small businesses is a component of its framework.

RADA's Twickenham Bammies, for example, is in line with the direction of the Policy as it's a small business which processes locally produced cassava into Bammies – a Jamaican Food.

At the outset we had a projection of processing 14,000 kilograms of cassava monthly into bammies and to employ twelve (12) persons. However, due to demand for the product based on the quality for the past year we have processed approximately 204,000 kg of cassava into bammies and employs about twenty six (26) persons. This small facility generates annual income of roughly J$10M. A spin off of this enterprise is the confirmation of a high grade methane gas from the waste water in the processing operations so a bio digester is contemplated which will reduce energy costs to the operation.

A pancake mix has also been developed from the cassava which has won the *Observer Award* as product of the year 2001 in the new food category. To go with this product local syrups are also being developed from fruits which might normally have gone to waste.

In all of this, rural communities will be the beneficiaries as farmers in eight parishes now have ready markets for their cassava and can expand without wondering where they will sell. As developments take place employment opportunities will be created for predominantly rural women.

Concurrent with all of this as a result of work carried out by the Research and Development division of the Ministry in varietal selections, better cultural practices and additional use of inputs cassava yields have moved from an average 10.9 tonnes per hectare in 1990 to 18.1 tonnes per hectare in 1999/2000.

Agricultural Credit

During the past year the government intensified its efforts to improve its efficiency by providing a credit service that is responsive to the needs of Jamaican farmers. This led to the creation of the Development Bank of

Jamaica. Concessionary financing was provided at 13.0% for local currency and 11.5% for foreign currency. Loans to small farmers are channelled through the Peoples cooperative Banks and to larger farmers through commercial banks.

Based on this new thrust, the allocation of credit to the Agricultural sector was J$515.5 million in 2000, compared to J$206.2 million in 1999.

OUTLOOK

The agricultural sector faces a number of challenges, some of which are:

- Changes in the international trading relations which implies the erosion/elimination of preferential markets.
- The need to comply with high phyto sanitary standards in the export markets for all agricultural products.
- Unfavourable weather patterns.

These will present challenges in the future. However, Government initiatives in the form of assistance programmes should provide the impetus for growth, particularly to the domestic crops sub sector which recorded export earnings of US$76.8 million during 2000 for non traditional agricultural exports.

TOWARDS THE FUTURE

One of the most daunting tasks facing small economies is to ensure full preparedness to face the challenges of globalisation.

Globalisation is usually characterised by:

a) Growth in trade
b) Growth in foreign direct investment and capital flows
c) Global production and consumption
d) Global competition
e) Trade and liberalisation policies
f) Loss of national sovereignty
g) Standardization of values and culture.

Jamaica has experienced, to varying degrees, most of these since 1995 (Uraguay Agreements).

It therefore becomes necessary for domestic producers to re-examine manufacturing processes and cost structures in order to maintain and improve our competitiveness.

With the Schools Agricultural Programme, students will be made aware of these and as they go into the workplace be reminded of the conditionalities.

The Jamaica Broilers Group is cognizant of this and has granted J$250,000 to one of our agricultural schools in an area that they have a mother farm, that students can be taught proper production practices in fish (Tilapia) production.

The fish from this farm is earmarked for the foreign gourmet markets, so whether the graduate students be satellite farmers or employees in the industry, they will be familiar with the standards applicable to the industry. These small enterprises will therefore contribute to growth and development in rural Jamaica.

DISBURSEMENT BY RETAILERS TO THE MSE SECTOR
1997-2000($MILLION)

AGENCIES/LOCATIONS	1997	1998	1999	2000	% CHANGE 1999 1998	% CHANGE 2000 1999
CDFs	57.5	105.7	81.5	111.7	-22.9	27.1
MFOs	-	-	3.5	156.2	-	4362.8
NDFJ	69	71.5	60	89.9	-16.1	49.8
SSF	58.9	36	18.6	15.9	-48.3	-14.5
COPE	13	11.3	12.9	16.7	14.2	29.5
COK Credit Union	95.3	133.7	93.7	71.5	-29.9	-23.7
Other Credit Unions	-	144.6	172.9	198.6	19.6	14.9
PC BANKS	5.2	0.8	0.9	2.3	12.5	155.6
WORKERS/UNION BANK	33.6	109.9	168.8	130	53.6	-30
JNMCC	0	0	0	29.2	-	100
TOTAL	332.5	613.5	612.8	822	-0.1	34.1

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3) Planning Institute of Jamaica
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WORKERS/UNION BANK	33.6	109.9	168.8	130	53.6	-30
JNMCC	0	0	0	29.2	-	100
TOTAL	332.5	613.5	612.8	822	-0.1	34.1

SESNA CURAÇAO

development of small business

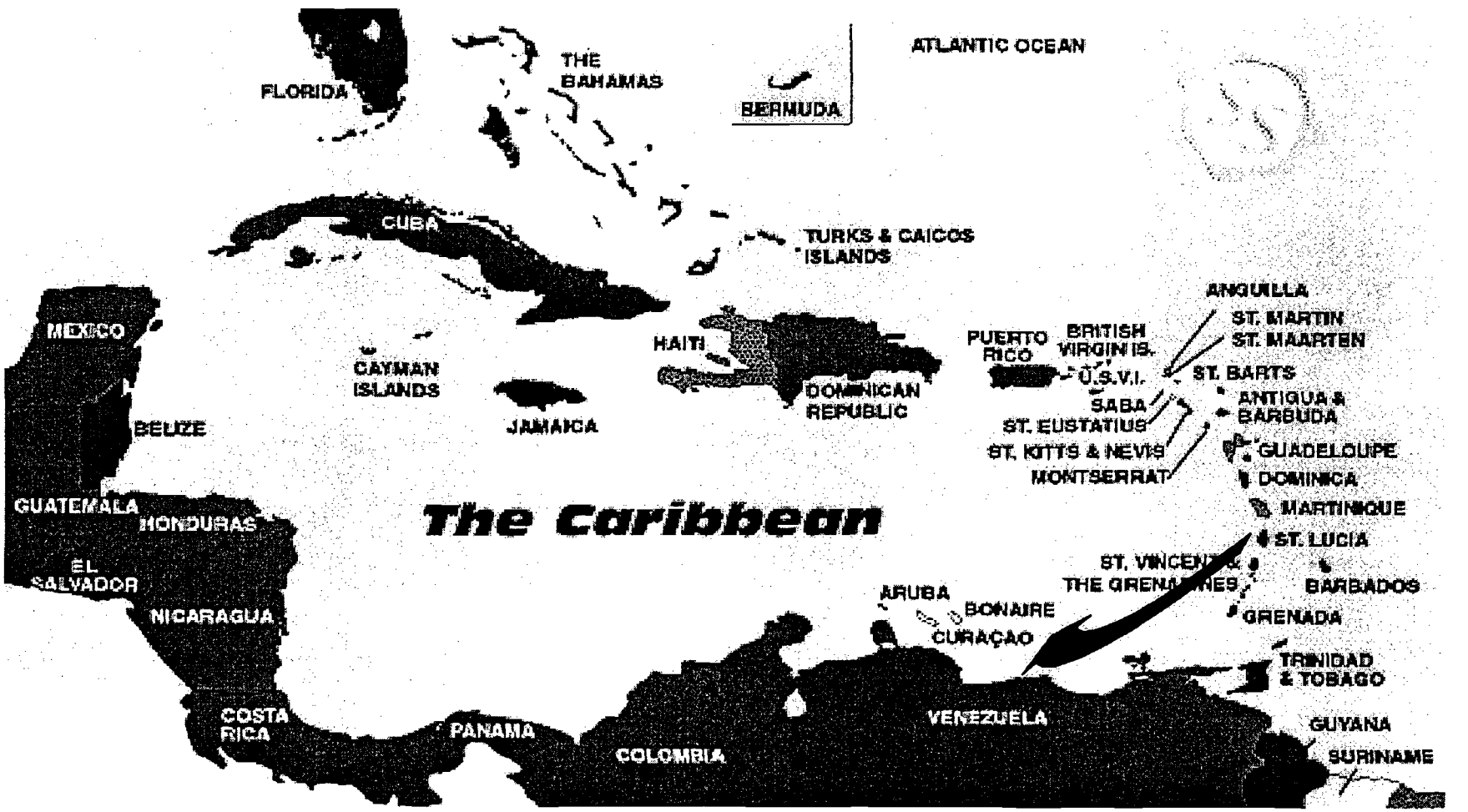
By Ivar Asjes, Manager of SESNA Curaçao

@

Caribbean SME Conference

St. Lucia, April 3rd 2002

Curaçao, a favorable location



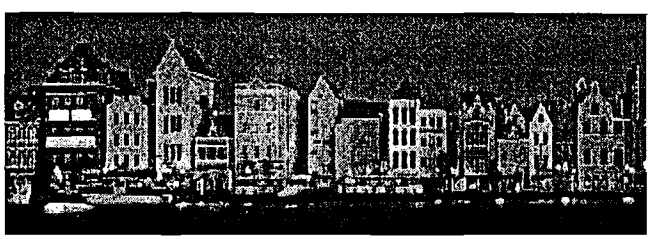
Curaçao, general information

- Curaçao has a diversified economy, based on:
  - Business & Financial Services
  - Oil Refining
  - Transportation
  - Economic Zone's & Industrial Park
  - Tourism

- Some statistics (year 2001):
  - Inflation, 1,8%
  - Population, close to 137.000
  - GDP, slightly over US$ 1.8 billion
  - Registered companies, 33.263

Curaçao

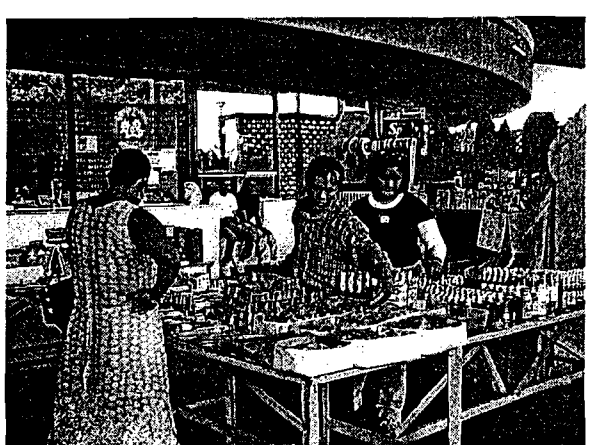
Curaçao, your Island of Business



- Political stability
- An established and long-standing international business tradition
- A flexible, accessible and pro-business government, with a strong desire for economic development
- Quality of life: peace, sun, beaches, laws
- Excellent infrastructure
- Protection from business disruption due to general weather or earthquakes

SESNA Curaçao

- The objective of SESNA Curaçao (SesCur) is to strengthen the contribution of the small business sector to:
  - Economic Growth and to Structural Employment Generation and Consolidation on Curaçao



SESNA Curaçao

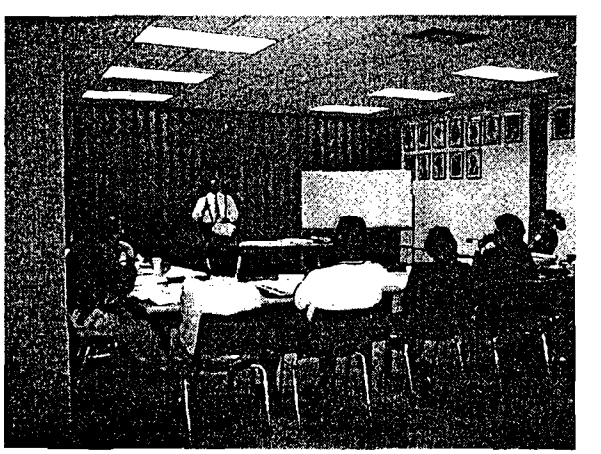
- SesCur offers the following services to (future) micro and small entrepreneurs on Curaçao:
  - Business Information Services
  - Business Advisory Services
  - Business Training Services
- SesCur, itself, does not issue loans

SESNA Curaçao, activities & results (1)

- SesCur's services and activities for 2002 will result in:
  - Day-to-day information services
  - Communication with the Target Group through an existing SME-newsletter
  - Development of a SME Database & Internet Based Client Tracking System
  - A Small Business Information Guide
  - A SME-website
  - Small Business "Market Places"

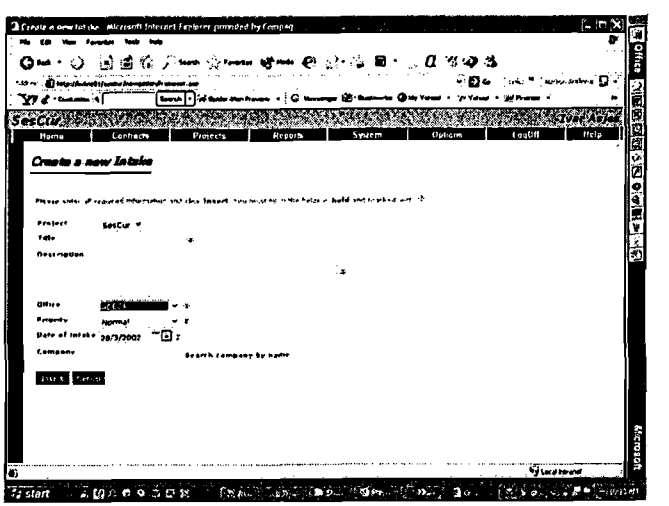
SESNA Curaçao, activities & results (2)

- SesCur's services and activities for 2002 will result in:
  - 180 SME clients advised by freelance professional business advisers
  - 575 SME clients trained by freelance professional business trainers



SESNA Curaçao, realized so far

- SesCur has realized:
  - Day-to-day information services
  - Newsletter
  - Database & Internet Based Client Tracking System
  - 10 of the 28 training courses until June and more than 100 participants
  - Business plans for 5 clients

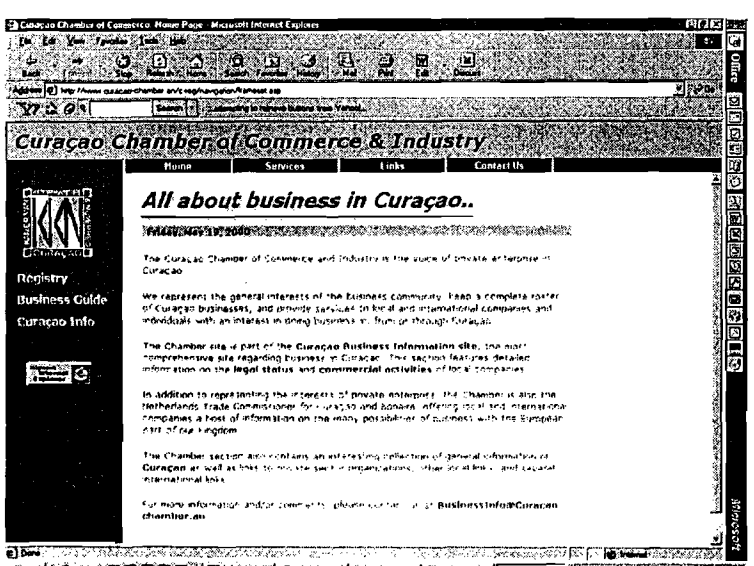


Thank you!

- For more information about (doing business in) Curaçao please contact us at SesCur:

  C/o Kaya Junior Salas 1
  Curaçao, Neth. Antilles
  Tel. (599-9) 465-4251
  Fax. (599-9) 465-4261
  E-mail: sescurinfo@yahoo.com

- Or visit the following websites:
  - www.curacao-chamber.an
  - www.curanow.com/adeck
  - www.centralbank.an
  - www.curacao-tourism.com



St. Lucia Industrial and Small Business Association (SLISBA)
Presented by Tedburt Theobalds

Ladies and gentlemen, it gives me great pleasure to make a presentation to you on the experiences faced by the St. Lucian entrepreneur in establishing business in St. Lucia. Let me first take the opportunity to introduce myself and the organisation I represent, which is the St. Lucia Industrial and Small Business Association (SLISBA). My name is Tedburt Theobalds and I am an Agronomist by training, having worked for a number of years in agriculture and particularly the banana industry, which you are no doubt aware is still the life-blood of this beautiful country of ours. Over the years, I also majored in Mass Communication, Valuation Surveying and six years ago I did a terminal degree in Business Administration. It may sound to you that I am not a typical small business entrepreneur, but in the St. Lucian context I am, as I operate an offset printing establishment, which when business was good employed up to ten (10) persons. As I said earlier, I do valuation work for clients to take to the bank. This is my second term as President of my organisation, so I can say that I know the problems of small business entrepreneurs in St. Lucia.

Let me tell you something about the organisation known as SLISBA. Our organisation was formed on December 23, 1989, 11 years ago. This came about though an amalgamation of the St. Lucia Small Business Association and the Manufacturers' Association – two separate bodies merging into one body, SLISBA. Since then, the St. Lucia Manufacturers' Association has gone on their own and last year re-launched their own organisation.

Over the years SLISBA has continued to:

- Promote and encourage the development of small businesses in St. Lucia
- Consulted with Government and the Private Sector Council on behalf of our members
- Provided training opportunities for our members in order to enhance their profitability
- Represented our members on a number of statutory bodies and institutions and trade fairs.

Over the years we have been through some difficult times and let me tell you about the St. Lucian experience. SLISBA has been the breeding ground for some of the successful entrepreneurs in this country and many of our members have, over the years, graduated to the Chamber of Commerce. Let me say at this point, one of our past presidents actually went on to

become a President of the Chamber of Commerce and I myself am a member of the Chamber, but we are adamant that SLISBA must remain as a separate organisation. This is instructive because SLISBA has been in the forefront of advocacy for the small business sector. Some years ago, for instance, we were on a collision course with the Chamber, who although 50 percent of their membership is small businesses sometimes takes selfish positions. In one particular case, we had to take on the Chamber and we can pride ourselves as being the organisation that opened the market for reconditioned vehicles in St. Lucia, to the extent that many St. Lucians who may have never owned a motor vehicle own one today. In another instance we took on a multinational company who decided to do their own marketing of their product after years of establishment in St. Lucia, thereby putting over 40 wholesalers out of business. They could not go to the Chamber and SLISBA had to go to their rescue. In the end, the brewery had to compensate these wholesalers financially and that was the virtual end of the wholesale culture in St. Lucia.

Today SLISBA represents a broad, diverse group of persons. Our members include retailers, printers, small hoteliers and small manufacturers. In fact we send our members to SEDU and BELFUND, and Frootsy, Eden Herbs, Aunt Linda's Tears and Campbell's Sea Moss are all SLISBA members who particularly make me feel proud. These are some of the "small entrepreneurs" who we have in St. Lucia.

In closing, let me acknowledge the support we have been given over the years by the Government. I make no apology in telling you that we at the SLISBA have a direct line to the Ministry of Commerce with whom we meet on a quarterly basis. We got support from OPSR and they funded the salary of an Executive Director for one year as a form of institutional strengthening, but as my colleague told you, we need more collaboration with some other institutions. Let me tell Mr. Lorde who is now present, that in his presentation, not once did he mention the name SLISBA although we religiously send our members to them to get registered and for business plans. We were part of the Project Management Coordinating Committee and have fully supported the development of SEDCO. Let me add that despite what we have heard we still need to address the credit and delivery system. We have bankers here and we need to look at creative lending. We need to look at collective purchasing. We need to look at structural arrangements at the national level. There is no need for SLISBA to be competing with the NRDF, SALCC or even SEDU to run training programmes. For years we have been talking about incubators for light manufacturing. Finally we need to network more and share information to prepare us for the global challenges.

THE SMALL ENTERPRISE DEVELOPMENT UNIT (SEDU)

Its Origin, Successes, lessons learnt and future

Meeting of Caribbean Small Business Entrepreneurs, Organizations and Agencies

Rex St. Lucian Hotel

April 3-5th 2002

1.0 The importance of the Small Business Sector in contributing to economic and social development especially in small states is widely recognized. In fact, the OECS Governments declared 1988 as the year of the Small Business. Small and micro businesses have the potential to create and expand employment opportunities, develop entrepreneurial skills, enhance market opportunities and encourage export promotion and import substitution. However, the full potential of the Small Business sector has not been fully explored. It was thought that the establishment of the Small Enterprise Development Unit (SEDU) would therefore provide an avenue for the strengthening and expansion of the Small Business sector in St. Lucia.

The St. Lucia Small Enterprise Development Unit (SEDU) is a special unit established within the Ministry of Commerce, Tourism, Investment and Consumer Affairs (then known as the Ministry of Trade & Industry) to serve as a "one stop shop" for the development of the Small Business Sector. It was a joint undertaking by the Government of St. Lucia, the United Nations Development Program, the International Labor Organization and the Organization of Eastern Caribbean States.

SEDU started in 1995 performing the following functions fairly successfully:

1. Consultancy & Training
2. Coordinating & Networking
3. Monitoring & Extension Services

The services were targeted at the following groups:

1. Women
2. Young People
3. School Leavers
4. Unemployed Persons

By 1998, during the implementation of the EU funded Small Enterprise Development Project (EC4.838 million), SEDU, recognizing the myriad of local, regional and international changes taking place and their long-term impact on Small Business in St. Lucia, embarked on changes of its own. I t entered into strategic relationships with the St. Lucia Bureau of Standards, Sir Arthur Lewis Community College, Computer Center Limited, Ministry of Education Early Childhood Education Dept., the St. Lucia Tourist Board, the St. Lucia Rural Enterprise Project, the National Research and Development Foundation and the Ministry of Agriculture. Those fruitful relationships were designed to infuse the Small Business Sector with the awareness and practices of International Standards, the core body of knowledge of modern small business management, the use of state of the art business application software, Market Development, Micro Financing and the entrepreneurial and market oriented approach to agriculture in the rural communities. Along the way, errors were made and lessons were learnt particularly in the area of the practicality of micro-financing.

When SEDU was originally legitimized by Cabinet Conclusion 1807 of September 1994, issues like e-commerce, .com, e-mail, ISO Certification, HACCP, Tracability, Globalization, Accountability, Transparency, Fair Trade, Minimum Residue Levels (MRL), St. Lucia Bureau of Standards, and Phase IV of the CET were not part of our vernacular and not part of our business reality. They are now. Each of the aforementioned issues has exerted forces on business in ways perceptible and imperceptible, changing business rules and norms at an accelerated rate. And as with all living organisms, for

organizations of the living, success lies in their ability to anticipate and adapt to change. SEDU is no exception. The repositioning or development of SEDU into an organization to better serve the small Business Sector in St. Lucia is imperative.

2.0 SUCCESSES

2.1 TRAINING: SMALL BUSINESS MANAGEMENT

Since 1998 over 300 persons were trained in Small Business Management with the collaboration of the Sir Arthur Lewis Community College at the Castries, Vieux Fort and Soufriere campuses. The course is a 54- hour course covering the following subjects:

1. Identifying Business Opportunities
2. Forms of Business Ownership
3. Introduction to Management
4. Human Resource Management
5. Introduction to Marketing Concepts
6. Financial Management for Small Business
7. Preparation of Business Plans
8. Money and Banking
9. Fundamentals of Law of Contract
10. Introduction to Leadership Theories
11. Motivation: Decision Making and Problem Solving
12. Role of Bureau of Standards
13. Interpersonal Skills – Effective Communications
14. The Role of Inland Revenue
15. The Role of Customs
16. Quality Assurance
17. The Role of Insurance in Small Business

Recognizing that the core body of knowledge of small business management in today's world requires a secondary school foundation, applicants are required to possess a secondary school education at a minimum. Allowances are made (subject to an interview) for small

business people who have managed their own businesses for at least two or more years.

The tangible course output for the successful student was an independently produced, viable business plan. Such plans were forwarded to NRDF for funding consideration, if the Student so wished.

2.2 ADAPTATION TO BUSINESS SOFTWARE APPLICATIONS

SEDU developed the Computer Aided Small Business Management (CASBM) course in collaboration with the technical assistance division of the Caribbean Development Bank. The purpose of the course was to educate small business managers on the efficient way to move from a manual accounting system to a computerized system, the proficient use of accounting software (Quick Books Pro) and the value of systematic record keeping. The overall objective of the course was the fostering of the use of technology available to promote productivity and efficiencies in Management Information Systems of small businesses that will in turn boost the confidence of Financial Intermediaries.

SEDU has commenced the initial moves towards implementing another business applications course in Project Management by collaborating with the CDB/CTCS division to train SEDU officers in the use of Microsoft Project and training of trainers course in the same. SEDU has recognized the invaluable nature of the software to the success of many types of ventures and the growing need for the inculcation of the Project Management mind set in the small business sector to promote the all important philosophy of international competitiveness.

2.4 FACILITATING ADAPTATION TO INTERNATIONAL STANDARDS

Some years ago, Chevrolet had a very successful ad for the introduction of their smaller, more fuel efficient cars. The ad said simply "This is not your father's Chevrolet". Well, SEDU recognized that with the advent of the WTO and the various color boxes that now characterize the various regimes for trade, that small business in the nineties and the new millennium will not be "our father's small business". It would not be business as usual.

There is a true story that brought home the point in no uncertain terms. Many months ago, a small sea-moss farmer who also made sea-moss drinks came to my office looking very disconcerted and obviously deeply disturbed.

He complained bitterly that he just lost a major customer in Dominica, a supermarket. He went on further to say it was true because on this letter. He then handed a letter fro a major supermarket in Dominica, which said in effect that it would no longer be a business partner because they were implementing the HACCP system that required systematic documentation on the processes of its suppliers of edible products.

Whoops! St. Lucia was hit even at what can be described as our cellular level.

Even before that occurrence SEDU had already signed an MOU with a strategy partner, The St. Lucia Bureau of Standards. This relationship was designed to facilitate the Small Business Sector's adaptation to the new realities of doing business, where competition was not just the guy next door in St. Lucia or in St. Vincent, or the Cariforum, but the world. And that type of competition was akin to the Olympics; only world-class timers need to apply. There were standards to be met just to compete in the qualifiers and to exceed, if one hopes to medal.

As partners we set out to educate our agro processors, food processors, food handlers, caterers and restaurant workers in the basics of food hygiene. This was done in the form of a certificate program authorized by the Society For Food Hygiene Technology of the UK.

As partners we visit clients before, during and after the set of enterprises in the food business. As a matter of routine, we conduct a joint visit anytime a small business in the food sub-sector is seeking concessions.

We have sought to educate our small business clients on issues of quality assurance and metrology.

As a result, our clients are now aware and adapting to the new realities on international standards. It will take time for the mind-set to develop on its but time is a luxury we do not have so such things in St. Lucia, hence the SEDU/SLBS pro-action.

2.5 MARKET & PRODUCT DEVELOPMENT

SEDU has facilitated the participation of over 200 small businesses in strategic exhibitions locally, regionally and internationally. Those exhibitions were chosen the basis of whether or not they provided real opportunities for market and or product development for our clients. Some of our clients have won awards at those exhibitions. Our garment manufacturers have learnt invaluable lessons in fabric design and garment production.

As far as product development is concerned, we again rely on our strategic relationships with SLBS and CTCS and by extension CARIRI.

While we cannot be all things to all people we have embarked on a market-oriented project focusing on our twelve best agro processors. That project seeks to go upstream into the small businesses themselves and address the salient issues of systematic record keeping of processes and monetary transactions, standardized processes and downstream to specifically address marketing issues. Ultimately, it seeks to position those enterprises to do business in the niche markets represented by West Indian enclaves in North America and Europe, via e-commerce. We are pursuing this project as we expect that its success would serve as incentive to other entrepreneurs. **We are seeking funding.**

In all, over 150 small businesses have benefited from our Market and Product Development Assistance since 1998.

2.6 SKILLS DEVELOPMENT

We facilitated the development of the National Skills Development Center, particularly in the Information Technology division. We believe that IT skills are a prerequisite to productivity.

Under this component, rural women, former banana plantation workers were trained in basic, intermediate and advanced skills in garment manufacturing and basic cooperative Education. This was accomplished by another strategic relationship with Sir Arthur Lewis Community College- Continuing ED. The rural women are now poised to go the next step- the development of the first female owned and managed rural cooperative. **We do have a project and are seeking the necessary funding.**

2.7 ENTREPRENEURIAL DEVELOPMENT IN THE RURAL COMMUNITIES

SEDU has collaborated with the St. Lucia Rural Enterprise Development Project to deliver Entrepreneurship training to the rural communities that have not benefited from the cash flow banana and sugar cane production.

2.8 MICRO-FINANCING

Through the relationship with another strategic partner, The Nation Research and Development Foundation, under the aegis of the SEDP, sixty two businesses received a total EC$ 1.114 million in loans. In addition, through SEDU's strategic relationship with the Ministry of Agriculture another EC$2.8 million in loans were disbursed under the aegis of the EU funded, Rural Diversification Incentives Project.

3.0 LESSONS LEARNT

3.1 MICRO-FINANCING

Micro Financing Institutions should be held to strict adherence to laws governing their activities, as far as accountability, just as the formal banking sector, while allowing the market to determine the interest rates. They are in the business of lending to the riskiest market segment and should not be fettered artificial interest rate ceilings.

We need to revisit the issue: is it access to finance or the cost of finance or a little bit of both. While we are doing so we should consider the enviable success of a disguised MFI-Courts.

Where development agencies and MFI share clients, there should be shared databases; joint visits to

clients and a united front when dealing with clients for the clients' best interest.

MFI should exist for profit by virtue of prudent portfolio management only.

The formal banking sector should channel a certain percentage of their loan funds via MFI's who have meet certain requirements for example given the sectors that government designate as priority to keep competition alive and vibrant in those sectors.

3.2 COLLABORATION

Where there are interventions funded by the same or different donors, it is imperative for Development Agencies, MFI's, SME agencies to collaborate from the research stage through to implementation, monitoring and project evaluation stages. The idea is to always seek synergies, eliminate duplication and rationalize scare resources in the interest of sustainability of the SME sector. A growing sector is to the benefit of all service providers.

3.3 INSTITUTIONAL STRENGTHENING

Enterprise development only occurs where there is market opportunity, credit, technology and human capital. That formula is applicable to SME sector service providers too. As service provider SEDU must evolve with the times, make the necessary adaptations to become more private sector orientated, technologically strong and with the human capital schooled in strategic thinking, program planning and project management. Globalization has said in no uncertain terms, **"this is not your father's Chevrolet"**

4.0 REPOSITIONING OF SEDU – SEDCO

The Small Enterprise Development Unit proposes to anticipate and adapt to plethora of changes bearing down on our national economy, prompting the repositioning of economy itself to becoming more service oriented while making its agriculture more market focused and competitive.

Therefore, SEDU has to reposition itself to perform in a predominantly service economy. SEDU has to shift from its original position of providing guidance and technical assistance to existing and perspective entrepreneurs in three broad areas of Consultancy & Training, Networking and Extension Services. SEDU will be repositioned to provide a more precise, incisive and solution oriented approach to the sustainable development of the Small Business Sector. It will employ a four prong strategy viz:- Human Resource Development, Marketing, Finance and Advocacy. The idea is to fulfill the goal of the National Industrial Policy relative to the Small Business Sector.

SEDCO, the Small Enterprise Development Company, will not be an original idea in entirety but an organization based on the Trinidad model, the Small Business Development Company. Of course some adaptations will be made particularly from the lessons learnt.

BANK OF SAINT LUCIA LIMITED

CRITERIA FOR LENDING TO SMALL AND MEDIUM BUSINESS ENTERPRISES

Presented at:

A MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS, ORGANIZATIONS AND AGENCIES

Held at:
The Rex St Lucian Hotel
April 3 - 5, 2002

Prepared by:Agnes Josie
Joanna Charles
Hilary La Force

BANK OF SAINT LUCIA LIMITED

CRITERIA FOR LENDING TO SMALL AND MEDIUM BUSINESS ENTERPRISES

INTRODUCTION

On July 1, 2001, the former National Commercial Bank of St. Lucia Ltd. (NCB) and the Saint Lucia Development Bank (SLDB) merged to form the East Caribbean Financial Holding Company, of which the Bank of Saint Lucia Ltd. (BOSL) is a major subsidiary. This occasion heralded a new era in the provision of financial services to businesses in general, and to small and medium businesses in particular, as new products and services were introduced to assist business enterprises in St. Lucia and the O.E.C.S. Further, one of the mandates of the new institution was to maintain the development focus of the former SLDB.

STRUCTURE AND BROAD FUNCTIONS OF EACH DIVISION

The Bank of Saint Lucia is divided into two functional areas: the Retail Banking Division and the Corporate and Development Banking Division.

(1) Retail Banking Division

The Retail Banking Division handles applications for:

a) Consumer Loans
b) Student Loans
c) Agricultural Loans under $100,000
d) Commercial Loans under $300,000
d) Mortgage Loans under $600,000

(2) Corporate and Development Banking Division

The Corporate and Development Banking Division was established to better serve the needs of our corporate and business clients. The assistance rendered is of a financial and non-financial nature. Loan and equity financing is available for establishing or expanding business ventures. Technical assistance, business advice, training and consultancy services are also offered to small and medium-sized enterprises. An equity fund has been established with funds made available from the European Investment

Bank (EIB), the National Insurance Corporation and the Government of St. Lucia, to assist businesses in restructuring their companies and for start up capital.

The Corporate and Development Banking Division, which is located on the 2nd floor of the Financial Centre, comprises three Departments, namely:

a) Corporate Credit Department,

b) Investment Banking Department, and

c) Business Advisory Services and Receivership Management Department.

a) Corporate Credit Department

The Corporate Credit Department has the responsibility for handling requests for developmental and commercial loan financing that do no fall within the purview of the Retail Banking Division.

b) Investment Banking Department

This new area of activity was created to provide existing and prospective customers with professional and personalized investment advice to assist in making sound investment decisions. The Department also has the capability to source investment capital to help businesses expand and grow. The products and services offered by the Department are as follows:

- Access to equity financing and trading of securities through the East Caribbean Securities Exchange (ECSE)
- Investment Management and advice through an association with Salomon Smith Barney of the U.S.A.
- Development of Investment products
- Pension Fund Management
- Fund Mobilization (bonds, equity)
- Equity Fund Management, and
- Underwriting functions

c) Business Advisory and Receivership Management Department

This Department offers advice, technical assistance and training to business clients. Business Advisors carry out diagnostic studies on companies as part of their mandate and assist companies in restructuring their operations to achieve greater efficiencies.

The main objectives of the Department are:

(1) to have a positive impact on the Bank's Corporate and Retail loan portfolio, by providing "mission critical" services to our customers,

(2) to assist with the restructuring of Bank financed and other business ventures,

(3) to provide specific training in the identified needs of business enterprises,

(4) to provide information and guidance to developing enterprises for making strategic business decisions.

The functions of the Department include *inter alia*:

- Preparation of business plans for individuals and companies requiring that service.
- Provision of professional advice on the management and technical operations of ongoing business ventures.
- Evaluation of the technical and managerial activities of business ventures financed by the Bank.
- Providing/facilitating training in business management for Bank financed customers.
- Engaging in timely interventions during loan "workouts" or debt restructuring actions by the Bank.
- Undertaking research in activities pertinent to the objectives of the

Department.

- Providing advice to the Corporate and Retail Divisions in the areas of Business Development, Housing and Education.

TYPES OF CREDIT

The Bank's credit may be broadly classified into three groups:

a) Consumer Credit
b) Commercial
c) Developmental

a) Consumer Credit

Is regarded as short to medium term financing for personal use, that is, it is not intended to create or expand the productive, social and economic capacity of the country and whose debt servicing and collateral may not be associated with the transaction being financed.

b) Commercial Credit

Is characterized as short to medium term credit to facilitate trade and production of goods and services and for the transfer of assets. Debt service and collateral are not necessarily tied to the transaction being financed.

c) Development Credit

Refers to financing that is intended to create or expand the nation's productive and social capacity of assets with the intention to generate output for trade, employment, foreign exchange and/or essential social services. Debt service and collateral are associated with the transaction being financed. Such financing is also of a medium to long term duration. Facilitating trade and production for small, unincorporated enterprises through short term financing also falls under this category.

CATEGORIES OF BUSINESSES

Statistics show that sole proprietorships and partnerships are still the most common business organizations and that 'small businesses' continue to dominate, in terms of the number of business units in the overall business scene. For our purposes, the following broad definitions have been used to differentiate between small, medium and large businesses:

Small Enterprises

a) Less than 25 employees
b) Less than 2,000 sq. ft. of operating space
c) Less than $100,000 of total investment
d) Less than $300,000 annual sales

Medium-Sized Enterprises

a) 25 to 50 employees
b) 2,000 to 5,000 sq. ft. of operating space
c) $100,000 - $500,000 in total investment
d) $300,000 - $1,000,000 annual sales

Large Enterprises

a) Greater than $500,000 investment
b) Greater than $1,000,000 annual sales

However, for a lender these distinctions are not as important as the fact that many 'small' businesses may not be able to produce the type of management and financial information required to make sound business decisions that is generally available from 'larger' businesses.

LENDING DECISIONS

Five basic points that are considered for any type of Bank lending are:

- How much is required?
- What is to be done with the money?
- What are the plans for repayment?
- What will be the bank's position if the plans for repayment go wrong?
- What is the experience and track record of the borrower?

The Five Cs of Lending

In all lending decisions, the cannons of good lending apply. An assessment of character/ability, capital, capacity, conditions and collateral (5Cs) is essential.

Character/Ability

- The Bank aims to form an opinion of the ability of the proprietors and management to run a successful business and to make reasonable forecasts of its future. It is a dangerous delusion to believe that

someone's integrity and management ability can be assessed on the basis of a short meeting. Facts are needed and particular attention is paid to the following areas, among others:

a) The promoter's track record with the Bank or other financial institution.
b) The borrower's experience in running a business.
c) The promoter's experience in the particular trade, which is the subject of the advance.
d) How was the proprietor's personal worth accumulated? Through his/her own efforts, inheritance or other?

Capital

It is essential to have a reasonable level of capital in the new business, as evidence of the borrower's commitment and as a buffer against loss. Inadequate proprietor's capital can result in a business having a significant borrowing requirement, the interest cost of which will raise the business's break-even point. A business with low equity injection or owner's contribution will have to generate higher levels of sales and profits than one that is adequately capitalized. An acceptable and safe ratio for lending is 60/40. Anything higher will place considerable financial strain on the business and its ability to service its debts comfortably.

Capacity

The organizational structure of the enterprise must be suited for its purpose and the promoters must either have or provide the enterprise with the necessary management and technical competence to enable it to fulfil its goals.

It is important that the source of repayment is made clear from the outset and the Bank must establish with a degree of certainty that the promised funds will be received. From the cash flow projections, the Bank will determine whether the project or business will have surplus funds to meet the repayment and other commitments. The debt service ratio is commonly used to determine capacity for loan repayment.

Conditions

The interest rate and repayment period applied to a loan will be dependent on the nature of the request, the cost and source of financing for the project, and the level of associated risk. Usually, projects of a developmental nature

will carry a lower rate of interest and a longer repayment term than an ordinary commercial request.

It is important to establish the adequacy of the amount requested and that all incidental expenses have been considered and allowances made for contingencies. There are dangers if the borrower's request is over or under stated. The amount requested should be in proportion to the customer's own resources and contribution.

Collateral

Security is necessary in the event that the repayment proposal fails to materialize. It is vital that the providers of security, especially third party security, fully understand the consequences of charging it to the Bank. It is equally important that all security procedures have been completed before any advance is made.

In general, projects financed by the Bank must be legally and technically feasible and financially and economically viable. Ratios such as the internal rate of return on investment (IRR) and the economic rate of return (ERR) are frequently used to determine financial and economic viability. The Bank can also source additional technical expertise from the region, for assessing the technological components of a project, through the Caribbean Development Bank's (CDB) CTCS network.

CONCLUSION

Finally, in closing, I wish to state that the Bank of Saint Lucia is encouraging the successful development of businesses. However, start-ups do have a high failure rate and problems frequently occur through over-optimism and lack of managerial skills. Therefore, it is always useful to prepare a business plan for start up companies as well as for those wishing to expand. It is also extremely useful to keep a record of financial transactions. Financial Statements are important in assessing and monitoring business performance. These are some of the tools that Bankers use in trying to assist our business clients.

BANK OF SAINT LUCIA LIMITED

CRITERIA FOR LENDING TO SMALL AND MEDIUM BUSINESS ENTERPRISES

Presented at:

A MEETING OF CARIBBEAN SMALL BUSINESS ENTREPRENEURS, ORGANIZATIONS AND AGENCIES

Held at:
The Rex St Lucian Hotel
April 3 - 5, 2002

Prepared by:Agnes Josie
Joanna Charles
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BANK OF SAINT LUCIA LIMITED

CRITERIA FOR LENDING TO SMALL AND MEDIUM BUSINESS ENTERPRISES

INTRODUCTION

On July 1, 2001, the former National Commercial Bank of St. Lucia Ltd. (NCB) and the Saint Lucia Development Bank (SLDB) merged to form the East Caribbean Financial Holding Company, of which the Bank of Saint Lucia Ltd. (BOSL) is a major subsidiary. This occasion heralded a new era in the provision of financial services to businesses in general, and to small and medium businesses in particular, as new products and services were introduced to assist business enterprises in St. Lucia and the O.E.C.S. Further, one of the mandates of the new institution was to maintain the development focus of the former SLDB.

STRUCTURE AND BROAD FUNCTIONS OF EACH DIVISION

The Bank of Saint Lucia is divided into two functional areas: the Retail Banking Division and the Corporate and Development Banking Division.

(1) Retail Banking Division

The Retail Banking Division handles applications for:

a) Consumer Loans
b) Student Loans
c) Agricultural Loans under $100,000
d) Commercial Loans under $300,000
d) Mortgage Loans under $600,000

(2) Corporate and Development Banking Division

The Corporate and Development Banking Division was established to better serve the needs of our corporate and business clients. The assistance rendered is of a financial and non-financial nature. Loan and equity financing is available for establishing or expanding business ventures. Technical assistance, business advice, training and consultancy services are also offered to small and medium-sized enterprises. An equity fund has been established with funds made available from the European Investment

Bank (EIB), the National Insurance Corporation and the Government of St. Lucia, to assist businesses in restructuring their companies and for start up capital.

The Corporate and Development Banking Division, which is located on the 2nd floor of the Financial Centre, comprises three Departments, namely:

a) Corporate Credit Department,

b) Investment Banking Department, and

c) Business Advisory Services and Receivership Management Department.

a) Corporate Credit Department

The Corporate Credit Department has the responsibility for handling requests for developmental and commercial loan financing that do no fall within the purview of the Retail Banking Division.

b) Investment Banking Department

This new area of activity was created to provide existing and prospective customers with professional and personalized investment advice to assist in making sound investment decisions. The Department also has the capability to source investment capital to help businesses expand and grow. The products and services offered by the Department are as follows:

- Access to equity financing and trading of securities through the East Caribbean Securities Exchange (ECSE)
- Investment Management and advice through an association with Salomon Smith Barney of the U.S.A.
- Development of Investment products
- Pension Fund Management
- Fund Mobilization (bonds, equity)
- Equity Fund Management, and
- Underwriting functions

c) Business Advisory and Receivership Management Department

This Department offers advice, technical assistance and training to business clients. Business Advisors carry out diagnostic studies on companies as part of their mandate and assist companies in restructuring their operations to achieve greater efficiencies.

The main objectives of the Department are:

(1) to have a positive impact on the Bank's Corporate and Retail loan portfolio, by providing "mission critical" services to our customers,

(2) to assist with the restructuring of Bank financed and other business ventures,

(3) to provide specific training in the identified needs of business enterprises,

(4) to provide information and guidance to developing enterprises for making strategic business decisions.

The functions of the Department include *inter alia*:

- Preparation of business plans for individuals and companies requiring that service.
- Provision of professional advice on the management and technical operations of ongoing business ventures.
- Evaluation of the technical and managerial activities of business ventures financed by the Bank.
- Providing/facilitating training in business management for Bank financed customers.
- Engaging in timely interventions during loan "workouts" or debt restructuring actions by the Bank.
- Undertaking research in activities pertinent to the objectives of the

Department.

- Providing advice to the Corporate and Retail Divisions in the areas of Business Development, Housing and Education.

TYPES OF CREDIT

The Bank's credit may be broadly classified into three groups:

a) Consumer Credit
b) Commercial
c) Developmental

a) Consumer Credit
Is regarded as short to medium term financing for personal use, that is, it is not intended to create or expand the productive, social and economic capacity of the country and whose debt servicing and collateral may not be associated with the transaction being financed.

b) Commercial Credit
Is characterized as short to medium term credit to facilitate trade and production of goods and services and for the transfer of assets. Debt service and collateral are not necessarily tied to the transaction being financed.

c) Development Credit
Refers to financing that is intended to create or expand the nation's productive and social capacity of assets with the intention to generate output for trade, employment, foreign exchange and/or essential social services. Debt service and collateral are associated with the transaction being financed. Such financing is also of a medium to long term duration. Facilitating trade and production for small, unincorporated enterprises through short term financing also falls under this category.

CATEGORIES OF BUSINESSES

Statistics show that sole proprietorships and partnerships are still the most common business organizations and that 'small businesses' continue to dominate, in terms of the number of business units in the overall business scene. For our purposes, the following broad definitions have been used to differentiate between small, medium and large businesses:

Small Enterprises

a) Less than 25 employees
b) Less than 2,000 sq. ft. of operating space
c) Less than $100,000 of total investment
d) Less than $300,000 annual sales

Medium-Sized Enterprises

a) 25 to 50 employees
b) 2,000 to 5,000 sq. ft. of operating space
c) $100,000 - $500,000 in total investment
d) $300,000 - $1,000,000 annual sales

Large Enterprises

a) Greater than $500,000 investment
b) Greater than $1,000,000 annual sales

However, for a lender these distinctions are not as important as the fact that many 'small' businesses may not be able to produce the type of management and financial information required to make sound business decisions that is generally available from 'larger' businesses.

LENDING DECISIONS

Five basic points that are considered for any type of Bank lending are:

- How much is required?
- What is to be done with the money?
- What are the plans for repayment?
- What will be the bank's position if the plans for repayment go wrong?
- What is the experience and track record of the borrower?

The Five Cs of Lending

In all lending decisions, the cannons of good lending apply. An assessment of character/ability, capital, capacity, conditions and collateral (5Cs) is essential.

Character/Ability

- The Bank aims to form an opinion of the ability of the proprietors and management to run a successful business and to make reasonable forecasts of its future. It is a dangerous delusion to believe that

someone's integrity and management ability can be assessed on the basis of a short meeting. Facts are needed and particular attention is paid to the following areas, among others:

a) The promoter's track record with the Bank or other financial institution.
b) The borrower's experience in running a business.
c) The promoter's experience in the particular trade, which is the subject of the advance.
d) How was the proprietor's personal worth accumulated? Through his/her own efforts, inheritance or other?

Capital

It is essential to have a reasonable level of capital in the new business, as evidence of the borrower's commitment and as a buffer against loss. Inadequate proprietor's capital can result in a business having a significant borrowing requirement, the interest cost of which will raise the business's break-even point. A business with low equity injection or owner's contribution will have to generate higher levels of sales and profits than one that is adequately capitalized. An acceptable and safe ratio for lending is 60/40. Anything higher will place considerable financial strain on the business and its ability to service its debts comfortably.

Capacity

The organizational structure of the enterprise must be suited for its purpose and the promoters must either have or provide the enterprise with the necessary management and technical competence to enable it to fulfil its goals.

It is important that the source of repayment is made clear from the outset and the Bank must establish with a degree of certainty that the promised funds will be received. From the cash flow projections, the Bank will determine whether the project or business will have surplus funds to meet the repayment and other commitments. The debt service ratio is commonly used to determine capacity for loan repayment.

Conditions

The interest rate and repayment period applied to a loan will be dependent on the nature of the request, the cost and source of financing for the project, and the level of associated risk. Usually, projects of a developmental nature

will carry a lower rate of interest and a longer repayment term than an ordinary commercial request.

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ACTIVITIES TO PROMOTE MSME DEVELOPMENT IN TRINIDAD AND TOBAGO

SMALL BUSINESS DEVELOPMENT COMPANY LIMITED

PRESENTED BY
MRS. JEAN NICHOLS, BSc. Indust. Mgmt, Dip. Int.Relations
MSc. Int. Relations (UWI)
Manager – Tobago Regional Office

OVERVIEW OF THE COMPANY

The Small Business Development Company Limited (SBDC) was established in 1989 with a specific mandate to foster the development of the Micro, Small and Medium Enterprise sector (MSME) in Trinidad and Tobago

SBDC is a para-statal agency with the Government of Trinidad and Tobago being the major stakeholder. Investors from the banking sector, insurance companies and other private citizens represent the remaining shareholders.

The company is managed by a Board of Directors comprising representatives from the Private and Public sector including Chambers of Commerce, members of the Legal and Banking Fraternity and from the Ministries.

The company operates a Loan Guarantee Programme that provides guarantees to banks in order to facilitate the provision of loans to businesses.

Over the years, SBDC has been recognized as a model agency in the Caribbean for small business development and hence the company has now broadened its spectrum of activities in order to ensure that its business development mandate is achieved.

COMPANY STRUCTURE

Within the last year, the company has undergone major restructuring in an attempt to reposition itself as the leading agency in the country responsible for business development of the Micro Small and Medium Enterprise sector.

This restructuring was in response to Government's Task Force Committee appointed in 1999, which made recommendations for intensifying the development of the Small Business Sector in Trinidad and Tobago, and SBDC was chosen to be the prime facilitating agency for small business development. The last year has been one of transition and change and SBDC has now been restructured to lend greater support to businesses in the areas of credit access, entrepreneurial education and training, youth and community initiatives and formation of strategic alliances with partners.

ORGANIZATIONAL STRUCTURE

The organizational structure of the company has broadened and SBDC now comprises a multi-disciplinary team of persons possessing extensive experience and training in credit management and business development.

provides that facility of collateral support for small businesses. Site visits are also conducted frequently by officers to ensure that the business remains viable.

Loan Guarantee support for businesses is spread across a wide area of businesses including auto-mechanics, hair salons, restaurants, supermarkets, fishing, agro-processing, farming, guest houses and a myriad of other services. As at March 2002, the SBDC had issued 4833 guarantees totaling $120,781,919.00 for total loans valued at $219,485,240.00.

b) ENTREPRENEURIAL TRAINING

Training is one of the key instruments used by the company to stimulate entrepreneurial awareness and empower entrepreneurs.

The Business Plan Seminar is one of the major training programmes. The Seminar provides an opportunity for participants to prepare their own business proposals, thus enabling them to understand all aspects of their business.

Other areas of training which have promoted SME development in the country include activities such as:

- Small Business Week – This is a week of training in areas of Business Management, Marketing, Record Keeping, and Costing and Pricing. This training caters for potential and existing entrepreneurs and is conducted in at least ten (10) communities throughout the country.

- Camp Entrepreneur – This training is specifically designed for young persons between the ages of 11 – 15 years and these youths are trained in the fundamentals of managing a small business. To obtain maximum participation, this training is held during the August holidays.

- Sectoral and Specialized Training – This focuses on workshops such as Agri-Business, Garment-Construction, Community Tourism, Customer Service , HACCP and Introduction to Exporting.

c) BUSINESS SERVICE CENTRE

Each Regional Office manages its own Library Information Service System whereby a number of Training Business Manuals, Start Up Guides and Business Profiles are available. The Resource Library provides up to date and relevant

The SBDC also manages a European Union funded programme called **CARTF (CARIFORUM Agribusiness Research and Training Fund)** which is implemented among the CARIFORUM countries. This provides grant funding to persons within the agribusiness sector for research and training purposes. Grant funding is given of up to US $50,000 and the Fund finances 75% of the cost of projects for productivity enhancement, product development and standardisation, marketing appraisal studies and feasibility studies.

The SBDC has also embarked on another OAS project called Benchmarking among Small Entrepreneurs in the Agro and Food Processing Industries. The objective of this project is to provide benchmarking standards and improve competitiveness for micro, small and medium enterprises in the agro and food processing industries.

NETWORK SERVICES

This department provides the platform for forging strategic alliances with stakeholders and partners in order to ensure a dynamic and vibrant MSME sector. SBDC has recognized that these alliances are critical to the development of the sector and thus, Agreements have been signed with the Point Fortin Chamber of Commerce, the Trinidad and Tobago Bureau of Standards and The Trinidad and Tobago Chamber of Commerce. Ongoing discussions and negotiations are continuing with the Tobago House of Assembly and CARIRI.

FINANCE AND ADMINISTRATION DEPARTMENT

This department is responsible for Information Technology, Human Resource and Professional Development and Financial Administration. The company now boasts of an interactive web site and can be found at www.sbdc.co.tt.

STRATEGIC FOCUS

In keeping with the Government's Enterprise Development Policy and Strategic Plan, the SBDC has committed itself to:

- Fostering entrepreneurship and encouraging the development of the MSME sector;
- Empowering communities to alleviate poverty through self-employment opportunities:
- Providing effective and efficient business support services:
- Providing support to develop a legal and institutional framework for the MSME sector:
- Broadening the range of funding options.

European Union -- Small Business Program – T&T (1995-1999)
Management of a $2 million EU project to enhance the macro-policy environment for small businesses and improvement of financial and business support for the small business sector. The programme targeted mainly youth and women.

Department For International Development (DFID) Small Enterprise Development Project for Montserratian Evacuees in Antigua (1998 – 1999).
Development of an Action Plan to promote self-employment and economic empowerment in order to contribute to sustainable livelihoods for the Montserratian community resident in Antigua. The components of the project included:

- Establishment of a Business Information Unit
- Implementation of a Training Voucher Scheme
- Development of a Job Placement Scheme
- Technical support for the operating a Revolving Loan fund.
- Capacity building of institutions serving the SME sector.

EU/CARIFORUM Caribbean Agricultural Research and Training Fund (CARTF) – Trinidad & Tobago (2000-2001)
A project to provide technical assistance through grant funding to stimulate and support agri-business enterprises in the areas of commercial research and training.

OAS MISSION ENTERPRISE
Business Development Training and Community Networking in 6 rural communities throughout Trinidad and Tobago.

International Labour Organization – Improve Your Working Environment and Business – Trinidad (2001)
Modular approach to training for micro and small firms to boost business performance through improved working conditions and labour relations. The training focused on the need to be competitive through the use of a better working environment and good employee relations.

Commonwealth Secretariat – Testing of Business Plan – Trinidad (2001)
The use of a business plan to improve operational performance for small and medium sized firms.

Product Development Assistance Programme
Grant Funding of up to $5,000 to assist producers in enhancing their finished products for entry and acceptance in the market.

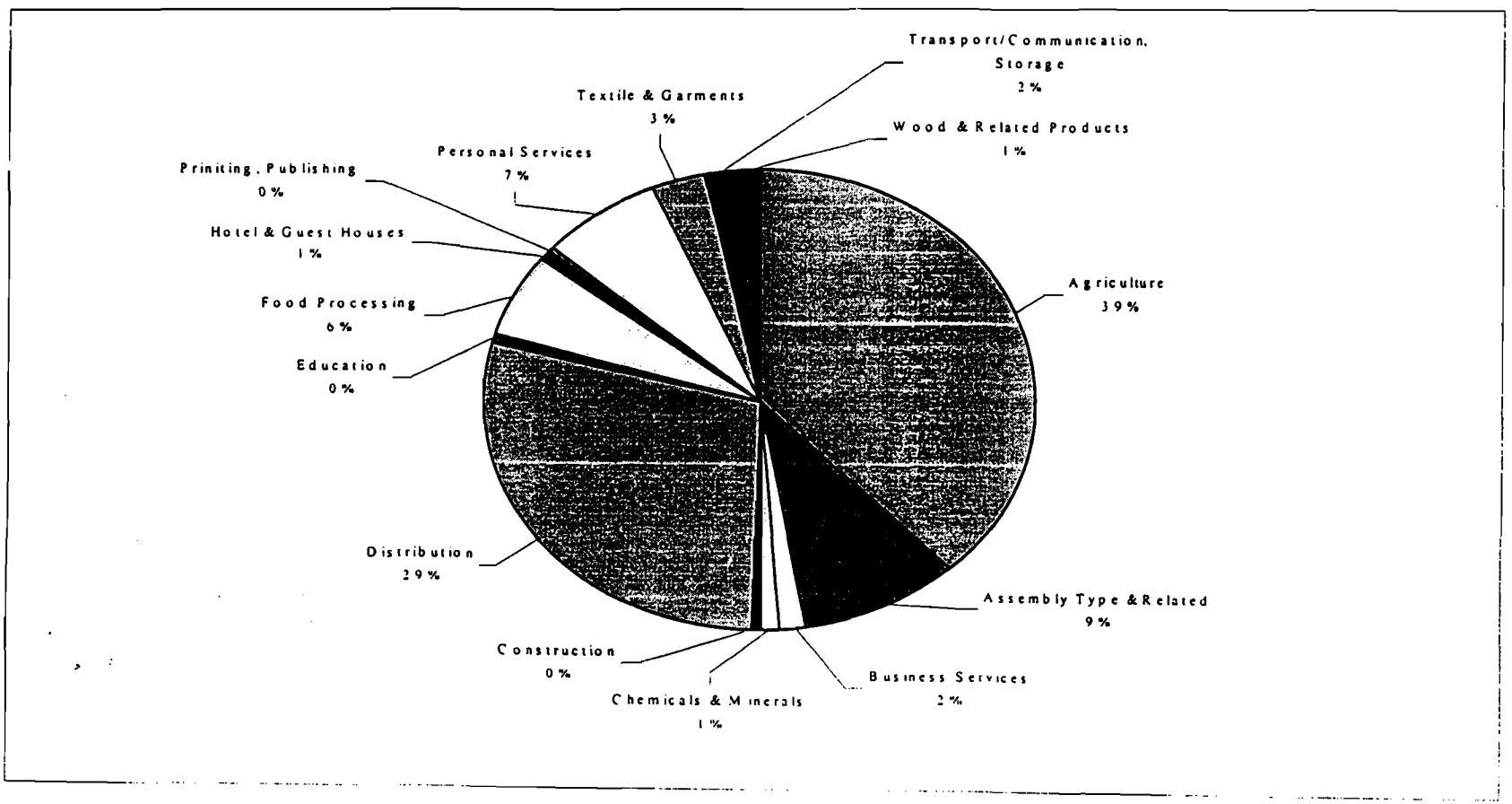
In conclusion, SBDC is committed to the development and enhancement of the MSME sector and will continue to chart its path in fulfilling its objective.

ANNEX

1. In 1996, a National Baseline Survey of Small Businesses was conducted. The survey estimated that between 20,000 to 30,000 micro and small businesses were operational in Trinidad and Tobago, and provided employment to nearly 50,000 persons. The survey also found that nearly 90% of the businesses operated from their homes, and that approximately 63% of businesses were in the distribution sector.

2. There has been some legislation in Trinidad and Tobago for the micro, small and medium enterprise sector. For instance, under the Companies Act of 1995, one person can form a company, thus allowing the process for Registration of Companies to be somewhat simplified. In addition, under the finance Act of 1988, the Approved Small Company Status was established whereby tax relief is given in the form of credit equal to 15% of its chargeable income.

ISSUED BY SECTOR (NO. VALUE)
TOBAGO PORTFOLIO
PERIOD: 01-JAN-1990 TO 25-FEB-2002



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INFORMATION TECHNOLOGY AND ITS USE IN SUPPORT OF SMALL AND MEDIUM-SIZED ENTERPRIZES (SMEs)

Presented at the Meeting of Caribbean Small Business Entrepreneurs, Organizations and Agencies, St. Lucia, April 3-5, 2002.

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INFORMATION TECHNOLOGY AND ITS USE IN THE SUPPORT OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

INTRODUCTION

This paper seeks to explore the term Information Technology (IT) and to examine some of the ways in which it is being used to support SMEs. Examples are drawn from the Scientific Research Council, Jamaica, which has been using IT to bridge some of the gaps in its delivery systems in its various projects and programmes, in support of this sub-sector and other clients.

DEFINITION

Information Technology is that branch of technology devoted to (i) the study and application of data and the processing thereof and (ii) the development and use of hardware, software, firmware and procedures associated with this processing.[1]

Section (i) involves *automatic* acquisition, storage, manipulation, switching, management, movement, control, display, interchange, transmission or reception of data.

The terms in section (ii) are explained as follows:

Hardware – This is the *physical equipment* (computer, scanner etc.)

Software – A set of computer programmes, procedures and associated documentation for operating the hardware.

Firmware – This is a *software* that is embedded in a hardware and which allows for reading and executing the software, but does not allow modification. e.g. adding or subtracting data. A typical example is a CD-ROM on which the programme is recorded in permanent Read –Only- Memory

A second definition of IT is: ***Information Technology means the use of hardware, software, services and supporting infrastructure to manage and deliver information using voice, data and video.***[2]

Examples of Information Technology

Given both definitions then some common examples of IT are as listed:

- Telephone and radio equipment and switches used for voice communications
- Traditional computer applications that include data storage and programmes to input process, and output the data
- Software and support for office automation systems e.g. word processing and spreadsheets
- Data networks and all associated communications equipment such as servers
- Peripherals directly connected to computer information systems used to collect or transmit audio or graphic information, such as scanners and digitizers

- Video conferencing equipment
- "Open" computer systems that monitor or automate mechanical or chemical processes and also store information used by computer applications for analysis and decision-making,
- All operating costs, equipment and staff time associated with supporting the technology infrastructure

Regarding the wider Jamaican scenario, the government of the day in the mid-1990s published the National Industrial Policy[3] in which the Information Technology Sector is segmented as follows:

- Hardware distributors and dealers
- Software distributors and dealers
- Professional services - system consultants, technical support and software development
- Full service or total solution companies
- Related service companies such as computer rental and repair
- Computer training companies
- Information technology export service-providers in the areas of data entry. Telemarketing, geographic information systems (GIS), CAD/CAM operators and custom software services.

Some Applications of IT in Support of Businesses

The applications of IT in support of businesses can be examined under the following headings:

- Internet
- Electronic Mail (E-mail)
- E-business/E-commerce
- Intranet/LAN
- Radio and television networks
- Video conferencing
- Databases

Internet

The internet or Worldwide Web (WWW) is a global computer network. It is arguably the most significant technological development of our time. It has revolutionized the way that a vast number of individuals, institutions and companies conduct business and interactions. According to the International Data Corporation (IDC)[4] there were 142 million internet users in 1998. This number is projected to grow to 502 million in 2003.

The internet offers so many opportunities for both the small sole-trader business and the large. Fortune 500 company that no entrepreneur or businessperson can afford to ignore or refuse access.

Electronic Mail: E-mail for short, is perhaps the most successful and widely used application on the internet. It is:

- used for normal business correspondence
- quick and lower in cost than paper-mail
- lower in cost than phone calls

The Scientific Research Council (*http://www/src-jamaica.org*), like many other entities in Jamaica, provides internet and e-mail services to individuals and SMEs. Needless to say that e-mail is a much used communication tool between the Council and its clients. Prior to the advent of the e-mail, for so I must characterize its coming into being, then a client wishing to contact the Council and *vise-versa,* had three options:

(i) Telephone-this was neither cheap nor reliable particularly if calling from deep rural areas
(ii) Paper mail-again not altogether reliable and takes time and
(iii) Vehicular transport-expensive and tiresome.

The e-mail eliminated all these problems. It is quick (within minutes), comparatively cheap and reliable. Many clients now e-mail requests which are processed, sometimes making use of the internet, and the results returned by e-mail, with significant savings in time.

Perhaps it is not misplaced to introduce the next application, e-business/e-commerce with a pseudo-e-commerce transaction namely Toll-Free Numbers

Toll-Free Numbers

We are all familiar with the 1-800 number which permits a customer to telephone a vendor (at cost to the vendor) and order goods and services which are paid for using credit card, debit card, cheque or cash, on delivery. In Jamaica at least one vendor allows the use of a 1-888 number (our version of the 1-800) to select and order goods, which are paid for at a particular bank before the delivery of products.

However, buying of goods over the telephone does not really qualify as e-commerce, as will be seen later, because the order has to be placed by voice. Real e-commerce involves using the computer and telephone modem communication to bring buyer and seller into contact to do every part of the purchasing/sale transaction, except in some cases the physical delivery of the goods or service.

E-business/E-commerce:

E-business or e-commerce is the transaction of business electronically over the internet, in particular. It involves:

- Presenting customers with information about the goods or services being offered, not only in the form of text but with photographs and in some cases with video.

- Actually completing the sale of the goods and services by allowing the customer to pay, using electronic money (credit/debit cards, *not cash or cheques*) and at times choose the method of delivery.

This was made possible by the Internet. You will recall that in the 1980s the term just-in-time (JIT) inventory was very popular. This was before the internet became widely used. At that time there was limited electronic data interchange between computers linked by telephone lines. The computers were owned by *specific* vendors and purchasers, and the software developer had to accommodate the idiosyncrasies of both computers. Quite often both vendor and purchaser had to have the same type of computer.

The Internet with its *common* Transmission Control Protocol (TCP) and Internet Protocol (IP) changed all that.

Some major advantages of e-commerce are:

- Business is open 24 hours per day. This removes the boundary of time because there is no need to wait for traditional opening hours or need to rush to meet the closing hour

- An internet site is inexpensive to set up by the supplier and inexpensive for the customer to use-a real win-win situation.

- There is no barrier to distance, as one does not have to travel to an actual physical location to transact business. This has cost saving implications. To an extent it has been the case since the advent of paper mail, telegram, telex, phone and fax but has not been as extensive and expansive as with the internet.

In Jamaica, e-commerce is not yet fully established, a major drawback being payment with credit cards, the infrastructure for which is still in its infancy. E-business therefore is confined largely to *advertising* and *promotion*. It is expected that large companies would have their websites, but SMEs and individuals-artistes; painters, musicians, poets and other groups have chosen not to be left out and are availing themselves of the technology.
The Scientific Research Council is no exception. Its various programmes, projects and services are mounted on its website from time to time. They include agro-business (biotechnology, food processing), wastewater management, chemical analytical services, natural products, publications (energy and general science and technology), business development and technology transfer. Prior to the internet there was heavy reliance on brochures and pamphlets. These are still being used but the internet has added new dimensions.

Intranet/Local Area Network (LAN)

In order to cut costs, improve communication among units and divisions and improve staff productivity in serving internal as well as external customers, the Council established its own "internal internet" or Local Area Network. Ready and simultaneous access to information has helped significantly in bridging some of the time gaps in the delivery of assistance to SMEs and other clients of the Council. Some pieces of information for which one would otherwise have to search several sources are all available at the touch of the keyboard. Turnaround time for some requests is therefore reduced.

Radio and Television Networks

Consistent use is made of local radio and television networks to communicate with SMEs and the general populace on such topics as food processing, wastewater management, natural products, energy, general science and technology topics, among others. This is done through sponsored programmes, for example ***"Science Serving You",*** as well as staff members giving interviews or making presentations.
Television contact is islandwide while radio contact is both islandwide and community-based.

Video Conferencing

The use of this technology was started some four years ago beginning with live interactive transmission of select sections of our Annual National Science and Technology Conference to several sites islandwide through the University of the West Indies Distance Education Center. Indeed this has since been extended to several Caribbean islands including St Lucia, St Vincent, St Kitts, Cayman Islands, Antigua, Trinidad and Tobago, Monsterrat, Bahamas and Belize in Central America.

Databases

A database is a collection of data in a computer-readable form.

Databases are valuable pieces of information technology being convenient and having a high concentration of information, among other things. Some are produced only in computer-readable form while others have printed equivalents. The Scientific Research Council has both types including some created by the Council itself e.g. Techpack a food processing database and publication.

Extensive use is made of databases e.g. Natural Products, Skills Bank, Monograph, Journals and Techpack in the packaging and repackaging of information and responding to queries. These are not done electronically but will be, in the not too distant future.

Apart from having a high concentration of information, which saves time, databases allow for the flexibility of (i) conveniently tailoring information to different levels of end-users and (ii) printing on demand. In this regard it should be noted that the Council recently disposed of its old printing press and acquired a desktop publisher.

Other Future Uses of IT

The Council in its quest to take science and technology-based enterprises to the community level, particularly in rural areas, has embarked on a programme of Outposts, two of which are already established. These Outposts among other things are aimed at the utilization of indigenous materials in the communities, job creation and helping to stem the rural – urban drift and its attendant problems.

Though facsimile and e-mail are common means of communication, electronic linkage of the Outposts to the Council, is being actively pursued.

Jamaica *(http://www.simbiosis-caribbean.org/jamaica.htm)* is also now officially a part of the Simbiosis network. It is expected that information available there from, can be used to expedite the delivery of services to the SMEs and other clients of the Council.

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INFORMATION TECHNOLOGY AND ITS USE IN THE SUPPORT OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

INTRODUCTION

This paper seeks to explore the term Information Technology (IT) and to examine some of the ways in which it is being used to support SMEs. Examples are drawn from the Scientific Research Council, Jamaica, which has been using IT to bridge some of the gaps in its delivery systems in its various projects and programmes, in support of this sub-sector and other clients.

DEFINITION

Information Technology is that branch of technology devoted to (i) the study and application of data and the processing thereof and (ii) the development and use of hardware, software, firmware and procedures associated with this processing.[1]

Section (i) involves *automatic* acquisition, storage, manipulation, switching, management, movement, control, display, interchange, transmission or reception of data.

The terms in section (ii) are explained as follows:

Hardware – This is the *physical equipment* (computer, scanner etc.)

Software – A set of computer programmes, procedures and associated documentation for operating the hardware.

Firmware – This is a *software* that is embedded in a hardware and which allows for reading and executing the software, but does not allow modification. e.g. adding or subtracting data. A typical example is a CD-ROM on which the programme is recorded in permanent Read –Only- Memory

A second definition of IT is: ***Information Technology means the use of hardware, software, services and supporting infrastructure to manage and deliver information using voice, data and video.***[2]

Examples of Information Technology

Given both definitions then some common examples of IT are as listed:

- Telephone and radio equipment and switches used for voice communications
- Traditional computer applications that include data storage and programmes to input, process, and output the data
- Software and support for office automation systems e.g. word processing and spreadsheets
- Data networks and all associated communications equipment such as servers
- Peripherals directly connected to computer information systems used to collect or transmit audio or graphic information, such as scanners and digitizers

- Video conferencing equipment
- "Open" computer systems that monitor or automate mechanical or chemical processes and also store information used by computer applications for analysis and decision-making,
- All operating costs, equipment and staff time associated with supporting the technology infrastructure

Regarding the wider Jamaican scenario, the government of the day in the mid-1990s published the National Industrial Policy[3] in which the Information Technology Sector is segmented as follows:

- Hardware distributors and dealers
- Software distributors and dealers
- Professional services - system consultants, technical support and software development
- Full service or total solution companies
- Related service companies such as computer rental and repair
- Computer training companies
- Information technology export service-providers in the areas of data entry. Telemarketing, geographic information systems (GIS), CAD/CAM operators and custom software services.

Some Applications of IT in Support of Businesses

The applications of IT in support of businesses can be examined under the following headings:

- Internet
- Electronic Mail (E-mail)
- E-business/E-commerce
- Intranet/LAN
- Radio and television networks
- Video conferencing
- Databases

Internet

The internet or Worldwide Web (WWW) is a global computer network. It is arguably the most significant technological development of our time. It has revolutionized the way that a vast number of individuals, institutions and companies conduct business and interactions. According to the International Data Corporation (IDC)[4] there were 142 million internet users in 1998. This number is projected to grow to 502 million in 2003.

The internet offers so many opportunities for both the small sole-trader business and the large. Fortune 500 company that no entrepreneur or businessperson can afford to ignore or refuse access.

Electronic Mail: E-mail for short, is perhaps the most successful and widely used application on the internet. It is:

- used for normal business correspondence
- quick and lower in cost than paper-mail
- lower in cost than phone calls

The Scientific Research Council (*http://www/src-jamaica.org*), like many other entities in Jamaica, provides internet and e-mail services to individuals and SMEs. Needless to say that e-mail is a much used communication tool between the Council and its clients. Prior to the advent of the e-mail, for so I must characterize its coming into being, then a client wishing to contact the Council and *vise-versa,* had three options:

(i) Telephone-this was neither cheap nor reliable particularly if calling from deep rural areas
(ii) Paper mail-again not altogether reliable and takes time and
(iii) Vehicular transport-expensive and tiresome.

The e-mail eliminated all these problems. It is quick (within minutes), comparatively cheap and reliable. Many clients now e-mail requests which are processed, sometimes making use of the internet, and the results returned by e-mail, with significant savings in time.

Perhaps it is not misplaced to introduce the next application, e-business/e-commerce with a pseudo-e-commerce transaction namely Toll-Free Numbers

Toll-Free Numbers

We are all familiar with the 1-800 number which permits a customer to telephone a vendor (at cost to the vendor) and order goods and services which are paid for using credit card, debit card, cheque or cash, on delivery. In Jamaica at least one vendor allows the use of a 1-888 number (our version of the 1-800) to select and order goods, which are paid for at a particular bank before the delivery of products.

However, buying of goods over the telephone does not really qualify as e-commerce, as will be seen later, because the order has to be placed by voice. Real e-commerce involves using the computer and telephone modem communication to bring buyer and seller into contact to do every part of the purchasing/sale transaction, except in some cases the physical delivery of the goods or service.

E-business/E-commerce:

E-business or e-commerce is the transaction of business electronically over the internet, in particular. It involves:

- Presenting customers with information about the goods or services being offered, not only in the form of text but with photographs and in some cases with video.

- Actually completing the sale of the goods and services by allowing the customer to pay, using electronic money (credit/debit cards, *not cash or cheques*) and at times choose the method of delivery.

This was made possible by the Internet. You will recall that in the 1980s the term just-in-time (JIT) inventory was very popular. This was before the internet became widely used. At that time there was limited electronic data interchange between computers linked by telephone lines. The computers were owned by *specific* vendors and purchasers, and the software developer had to accommodate the idiosyncrasies of both computers. Quite often both vendor and purchaser had to have the same type of computer.

The Internet with its *common* Transmission Control Protocol (TCP) and Internet Protocol (IP) changed all that.

Some major advantages of e-commerce are:

- Business is open 24 hours per day. This removes the boundary of time because there is no need to wait for traditional opening hours or need to rush to meet the closing hour

- An internet site is inexpensive to set up by the supplier and inexpensive for the customer to use-a real win-win situation.

- There is no barrier to distance, as one does not have to travel to an actual physical location to transact business. This has cost saving implications. To an extent it has been the case since the advent of paper mail, telegram, telex, phone and fax but has not been as extensive and expansive as with the internet.

In Jamaica, e-commerce is not yet fully established, a major drawback being payment with credit cards, the infrastructure for which is still in its infancy. E-business therefore is confined largely to *advertising* and *promotion*. It is expected that large companies would have their websites, but SMEs and individuals-artistes; painters, musicians, poets and other groups have chosen not to be left out and are availing themselves of the technology.
The Scientific Research Council is no exception. Its various programmes, projects and services are mounted on its website from time to time. They include agro-business (biotechnology, food processing), wastewater management, chemical analytical services, natural products, publications (energy and general science and technology), business development and technology transfer. Prior to the internet there was heavy reliance on brochures and pamphlets. These are still being used but the internet has added new dimensions.

Intranet/Local Area Network (LAN)

In order to cut costs, improve communication among units and divisions and improve staff productivity in serving internal as well as external customers, the Council established its own "internal internet" or Local Area Network. Ready and simultaneous access to information has helped significantly in bridging some of the time gaps in the delivery of assistance to SMEs and other clients of the Council. Some pieces of information for which one would otherwise have to search several sources are all available at the touch of the keyboard. Turnaround time for some requests is therefore reduced.

Radio and Television Networks

Consistent use is made of local radio and television networks to communicate with SMEs and the general populace on such topics as food processing, wastewater management, natural products, energy, general science and technology topics, among others. This is done through sponsored programmes, for example ***"Science Serving You",*** as well as staff members giving interviews or making presentations.
Television contact is islandwide while radio contact is both islandwide and community-based.

Video Conferencing

The use of this technology was started some four years ago beginning with live interactive transmission of select sections of our Annual National Science and Technology Conference to several sites islandwide through the University of the West Indies Distance Education Center. Indeed this has since been extended to several Caribbean islands including St Lucia, St Vincent, St Kitts, Cayman Islands, Antigua, Trinidad and Tobago, Monsterrat, Bahamas and Belize in Central America.

Databases

A database is a collection of data in a computer-readable form.

Databases are valuable pieces of information technology being convenient and having a high concentration of information, among other things. Some are produced only in computer-readable form while others have printed equivalents. The Scientific Research Council has both types including some created by the Council itself e.g. Techpack a food processing database and publication.

Extensive use is made of databases e.g. Natural Products, Skills Bank, Monograph, Journals and Techpack in the packaging and repackaging of information and responding to queries. These are not done electronically but will be, in the not too distant future.

Apart from having a high concentration of information, which saves time, databases allow for the flexibility of (i) conveniently tailoring information to different levels of end-users and (ii) printing on demand. In this regard it should be noted that the Council recently disposed of its old printing press and acquired a desktop publisher.

Other Future Uses of IT

The Council in its quest to take science and technology-based enterprises to the community level, particularly in rural areas, has embarked on a programme of Outposts, two of which are already established. These Outposts among other things are aimed at the utilization of indigenous materials in the communities, job creation and helping to stem the rural – urban drift and its attendant problems.

Though facsimile and e-mail are common means of communication, electronic linkage of the Outposts to the Council, is being actively pursued.

Jamaica *(http://www.simbiosis-caribbean.org/jamaica.htm)* is also now officially a part of the Simbiosis network. It is expected that information available there from, can be used to expedite the delivery of services to the SMEs and other clients of the Council.

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Ecotourism and Small Businesses: Keys for Success

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1. Introduction

Ecotourism is an industry that entails like few others the promise of sustainable development. Ecotourism brings economic growth through investment and money from tourists; offers business opportunities for firms of all sizes and therefore should improve living standards of local communities; and finally may also generate resources for nature conservation.

For promises to become reality, a number of conditions usually must be met. The purpose of this paper is to explore the conditions under which ecotourism indeed generates sustainable development, with particular reference to the success of small businesses. The paper draws on three in-depth case studies carried out under the ECLAC research program "Natural resource-based cluster strategies", sponsored by the Government of the Netherlands. In addition, ECLAC carried out a technical assistance project to the Government of the Aysén Region in the south of Chile and organized an international seminar on Ecotourism: Local Policies for Global Opportunities in Santiago de Chile, May 2001. In that seminar, another dozen case studies were presented and experiences with policy instruments from several Latin American countries discussed.[1] The present paper is based on this material.

The focus is on local conditions of competition and coordination. According to cluster theory as developed in the nineties, these conditions determine the capacity for upgrading of competitive advantage. This upgrading, or what amounts basically to the same, the capacity to innovate, is the only way to make growth compatible with social equity and preservation of the environment. It is therefore a cornerstone of sustainable development. Before we explain these concepts and their application to ecotourism, two caveats are in order.

First, perhaps it is necessary to state that the local dimension is not the only one where determinants of success lie. Sustainable development and competitiveness are multi-layered or systemic concepts, with determinants at the global, national, local and individual dimensions. International regulations, supranational coordination, the environmental awareness of tourists etcetera, pertain to the global determinants of success. Public investment, e.g. in infrastructure, environmental regulation and policies for the tourism sector usually lie in the national sphere. At the microlevel, the individual effort of entrepreneurs is undoubtedly a determinant of success. All this being true, this paper chooses to focus on competition and coordination among actors in a particular

[1] This material was published in the ECLAC Seminars and Conferences Series no. Nro. 17: "Memorias del seminario internacional de ecoturismo: políticas locales para oportunidades globales", December 2001

locality around the ecotourism industry, sometimes referred to as the meso-level of analysis.

Second, blueprints that guarantee success do not exist, especially not regarding local organization of ecotourism. Each situation is unique and local actors have to develop their own approach. Moreover, adaptations are constantly required to accommodate new challenges. This paper does not try to identify what exactly needs to be done in any situation, nor does it aim to say how it should be done. The goal is to identify under which circumstances local actors around the ecotourism industry will indeed be able to create the conditions for success.

The case-studies on which this paper draws used the cluster framework that stems from business administration and the analysis of firm strategies. The application of the notions of cluster analysis to ecotourism constitutes the novelty of the paper. Therefore, the paper starts by expliciting the central tenets of cluster analysis and how these apply to ecotourism. Second, evidence of the case-studies is presented using this analytical framework. Finally, the section with conclusions identifies keys and obstacles on the road to success in ecotourism with small firms.

2. The cluster approach applied to the ecotourism industry: what constitutes superior competitive advantage in this case?

The cluster concept was introduced by Michael Porter to explain how, in certain industries and in particular places, groups of firms have reached competitive excellence. He found that a leading competitive position in a particular industry usually is founded on the interaction among four sets of factors: specialized resources, business rivalry, supporting industries and demanding customers.

The European literature on industrial districts, inspired mainly by the Italian experience, also emphasizes the interaction among firms and local institutions and attaches particular relevance to social cohesion as factors underlying the capacity to innovate found in groups of specialized small businesses. All this literature has been developed mainly with reference to manufacturing industry, in particular high-technology sectors, in industrialized countries. The insights have not been applied much to natural-resource based sectors in developing countries. Therefore, its application to ecotourism in developing countries may require an adaptation of the analytical concepts.

In essence, the cluster concept expresses the idea that rivalry and collaboration in a geographic agglomeration of firms in a particular industry determine the capacity to upgrade sources of competitive advantage that the agglomeration exhibits. The upgrading of sources of competitive advantage, or in an evolutionist framework, the capacity to innovate, is essential to the progress in economic value added. Increasing value added is the only real way to make economic growth, social equity and environmental protection compatible.

An article of Pine and Gilmore[2] presents a vision of the progress of economic value added that is rather apt for the discussion on ecotourism. In their view, a basic stage in the creation of economic value is the extraction or production of basic, undifferentiated goods or commodities, for a mass markets and at the minimum price. A superior stage concerns the manufacturing of differentiated products. The delivery of services is the third stage, superior to the previous two. The most interesting point in their proposal is that the world is entering a fourth phase of value creation, which is the staging of happenings. In this phase, the modern consumer seeks to obtain memorable experiences. Applied to tourism, this idea translates to the notion that there are qualitatively different forms of tourism. The most basic form is an undifferentiated product such as sun and sand, which has a uniform low price and little differences among places that offer the product. A superior stage is the differentiated tourism product, considering for example the quality of service that allows to charge a premium price. The most superior stage is reached when a tourist is willing to pay a high price for the privilege to undergo a unique and unforgettable experience. This is the stage where ecotourism points at. Cluster theory seeks to explain the determinants of the evolutionary process that leads a group of firms to go from one stage to the next.

Let us explore how concepts from cluster theory may be understood in its application to ecotourism and how certain places in Latin America dedicated to this industry are situated following these notions of competitiveness. In the first place, subjacent to the analysis is the notion that there are inferior and superior sources of competitive advantage. The former are inherited or basic and the latter are constructed and advanced. The process of upgrading is the construction of new and superior sources of competitive advantage. Table 1 illustrates the different sources of competitive advantage in the case of ecotourism.

A typical situation of basic or inherited competitive advantage is for example a virtually unknown natural attraction. Access is difficult, reception infrastructure nonexistent. The attraction of the site could precisely be that it is unknown, that it allows the visitor to experience something entirely new. The visitor is attracted by the hope of finding something unexpected. The obstacles involved in visiting the site may also constitute a kind of attraction, in the sense that they present challenges to be overcome. This type of tourism however does not generate much income because there is not a lot of things to spend money on and by definition there are not a lot of visitors. This type of tourist attraction is basically a common good with free access. It would be a mistake to consider this situation as the superior form of ecotourism.

Characteristic of these situations is that there is a debate regarding the desirability of improving access conditions, build access roads and create a reception infrastructure and allow the number of visitors to increase. One argument in the debate is usually that nature should be kept in its original state and the number of visitors should be kept to the minimum. The argument is not convincing from the viewpoint of economic growth. In many instances, not allowing economic exploitation of nature capital through tourism

[2] Pine II, J. and J. Gilmore, Welcome to the Experience Economy, Harvard Business Review, July-August 1998

makes any other economic use more attractive to the local population than leaving the site untouched. Usually, extensive husbandry or lumber extraction take place. The need to generate income may end up destroying the environmental capital, even if it is legally protected as a National Park or conservation site. To preserve the natural capital it is necessary to create an income stream that requires investment in nature preservation. Ecotourism may precisely do this, allowing even to improve and extend the protected area.

It is therefore necessary to go beyond this stage and advance to a situation of improved competitive advantage. In these cases, the natural attraction is no longer unknown. It has been explored and researched and mechanisms have been developed for its preservation. Typically, in these places activities arise that do not pertain to the nucleus of ecotourism, as there may be outdoor sports, cultural heritage tourism, a variety of gastronomic attractions, handicrafts and so on. A big advantage of the development of these activities is that they present low barriers to entry, occasionally even for local micro entrepreneurs. The competitive advantage of the site as an ecotourism attraction is enhanced by the multiplicity of other activities and the interaction among them. A challenge no is the adequate coordination of these activities so that some that may be potentially disruptive, such as transport systems or nightlife, do not have a negative impact on nature or distort the image of the place.

Table: Stages of Competitive Advantage in Ecotourism

Factors/phases	Beginnings	Basic C.A. Start-up	Improved C.A. Consolidation	Superior C.A. Innovation
Nature	Unknown, at least as a site for ecotourism	Explored	Visited, researched and Preserved	Extended or recovered, with international recognition
Access	Non-existent	Hard	Easy	Virtual
Places to stay	Non-existent	Rudimentary	Comfortable and integrated with nature	Differentiated through standard of service
Related attractions	Non-existent	Facilities for outdoor activities	Local culture and gastronomy	Supply of green products, organic food etc, even from other places
Visitors	Explorers	Adventurers	Conscious tourists	People with a commitment that goes beyond the visit
Competitive advantage as an ecotourism site	The mystery	The novelty, something different. Obstacles as challenges	The capacity to allow an important inflow of tourists to live a unique experience and	The capacity to allow people to contribute to preservation, improvement and

			to learn	enhancement of natural capital, even from a distance

There is another, higher level of competitive advantage in ecotourism. This is appreciated in those places that excel at ecotourism. In these places, the visitor is not anymore a passive person, but is offered the opportunity to become actively involved in the preservation of nature. Frequently they become the most active protectors of the environment in these places. This also allows the generation of income "from a distance", from consumers that do not necessarily actually visit the place. It is also common to find in these places a know-how that is exportable to other places, regarding both "soft" or organizational knowledge and "hard" knowledge about appropriate technologies. Income generation in these places permits the enhancement of natural capital, leading to the expansion of protected areas.

Let us explore how this typology of sources of competitiveness arises from the case studies and what are the success factors that have permitted in some places the transition from a situation of basic competitive advantage to superior stages of competitive advantage. The analysis of the case studies also leads to the identification of obstacles or threats that, if not resolved, may generate contradictions and reversals of a successful development path.

3. More or less successful cases in Latin America: the experience with local policies to grasp the global opportunity of ecotourism.

The clearest case of basic competitive advantage we have found in the Aysén Region in the South of Chile, also referred to as the Patagonia Chilena[3]. The place has been colonized and opened up very recently and its attraction as a tourist destination was virtually unknown until a decade or so ago. The San Rafael lagoon is the most well-known attraction, but this is a case of complete absence of any regulation or environmental management whatsoever. The National Forestry Corporation (CONAF) administers the National Park where the lagoon is located, but is unable to charge the legal entrance fee nor to exert effectively its competence as a regulatory authority because the access is over water and that is competence of the maritime authority that does not collect fees or establish environmental regulations. Firms that exploit the site are not from the region and do not have contacts with the regional Government.

In the area fly-fishing has developed strongly, mainly by North-American firms dedicated to the same activity for example in Alaska. Although these firms have a high ethical standard regarding environmental management, no formal relationships exist with local authorities. Many locals think that ecotourism is the most promising economic opportunity for the region. They may be peasants thinking of using their land for tourism purposes, local shopowners or people wishing to set up a place to stay for tourists. Undoubtedly many people are undertaking initiatives in this direction, but they are

[3] Buitelaar, Schulte and Silva (2001), in: CEPAL (op.cit.)

oftentimes ill perceived. Information about tourists and their preferences does not flow, hardly no specialized training and education opportunities exist. Many initiatives fail.

Another example that could be typified as a place with basic advantages is that of Huatulco in Mexico[4]. It is basically a sun-and-sand type of tourism that uses the ecotourism label in an effort to differentiate itself from other destinations. But the negative impact of mass tourism on the environment does not seem to be compensated by the conservation efforts, although recently an area of nature protection has been formalized. It is hard for small firms to offer goods or services to the industry organized by large national and foreign firms, and little is organized to improve the insertion of small firms.

A similar case, showing signs of improved competitive advantages but with underlying problems that socavate its virtues, can be seen in San Pedro de Atacama in the desert in the North of Chile. Here also exists a protected area under CONAF administration, but virtually without connections to local entrepreneurs. Some of the attractions, most noticeably the Tatio Geysers, are an example of abandonment and lack of coordination.

A part from the environmental management, the main problem that has arisen in San Pedro is the conflict between indigenous population and firms from different segments of the tourism market. Apparently, the local population feels itself violated by tourism, be it of the more adventurous or the more luxurious type, because it does not respect the archeological remains nor its agriculture-based lifestyle. Local administrations have not found the way to harmonize tourism with nature and culture. There is a distinct segment at the low end of the market where small firms thrive, but usually these entrepreneurs are from elsewhere in Chile or foreigners.

Where we do have a successful example of a transition toward improved competitive advantage is in the case of Bonito, in Mato Grosso do Sul state in Brazil. Under the impulse of a dynamic group of entrepreneurs, the municipal authority established an interesting mechanism that captures funds from tourists to improve local conditions, finance training to guides, controls the carrying capacity of the attractions and establishes a mechanism for control of environmental regulations. This refers to the "single voucher" system, which is the only way to sell an entrance ticket to any one of the two dozen privately owned ecotourism attractions in Bonito. The single voucher is sold by "locally owned "tourism agencies" and requires the agency to ask permission, usually over the phone and instantly, from the municipality to issue an entrance ticket. This way, the municipality charges a fee from which all agents are paid, establishes the requirement that all visitors are accompanied by trained guides and controls the carrying capacity. The guide is the person who transforms the visit into an experience and at the same time monitors the environment and controls firm behavior. It is interesting to note that this activity was established prior to the declaration of Serra do Bodoquena as a National Park. This organized transition from a rural economy to a services economy has created many opportunities for local start-ups.

[4] Barkin (2001), in: CEPAL, op.cit.

Cases where superior competitive advantage clearly exist can be found in the Galapagos Islands and in Monteverde, Costa Rica. In Galapagos the elaborate institutional set-up is impressive, including a legal framework for the administration of the territory, for which the constitution of Ecuador had to be adapted. There is the National Park, the Administrative Authority for the territories, the Charles Darwin Foundation, the Research institute and even a club of friends of the Galapagos. Undoubtedly, this experience is one of the cases of excellence in ecotourism in the Americas and in the world.

In Monteverde, ecotourism destination even before the term was invented, the efforts to preserve nature were adopted spontaneously during the Quaker colonization period in the fifties. A National Park under private property was established, and the community generated a capacity to organize itself through the Monteverde Institute, the coffee cooperative and the milk plant. Ecotourism started out as scientific tourism interested in biology research.

The crossroads at which Monteverde presently finds itself has to do with the introduction of other forms of tourism, more related to jungle adventures. The mechanisms of old that coordinated so successfully the integration of scientific tourism into the community ceased to be effective and now a local political-administrative framework is lacking to administer tourism in the place and resolve matters so basic as for example traffic congestion or waste disposal.

No one of these cases is entirely black or white. There is potential and successes in all cases, as well as contradictions and failures. Nevertheless, the comparison of cases allows the extraction of some tentative conclusions regarding how a place with basic advantages transits toward the construction of improved and superior advantages and what are the potential pitfalls and conflicts in the process.

4. Conclusions

The path from inherited or basic advantage in ecotourism toward improved advantages is transited when the private firms start to invest in environmental management just like any other investment by an entrepreneur in its working capital or equity. This may occur spontaneously and in a collective manner, as in Monteverde, but in most cases at least in the beginning there are cases of outstanding private entrepreneurs that visualize their business in that way. There are two arguments in favor of concerted public action to increase and stimulate this type of investment.

a) economic theory suggests that private investment in a public good will be less than socially optimal because the private investor cannot capture totally the rents that may be derived from its investment. This can be clearly seen in all places where private investment in natural capital is lacking.
b) Even in the places where private investment in nature protection has come about spontaneously, it cannot continue to work like that with an increase in ecotourism. Free-riders will appear, firms that benefit from the initial investment by others without contributing to it. Worse still, there can be private investments in activities that damage the collective natural capital.

For these reasons, it is necessary to create a climate, a favorable setting to ensure and increase private investments in natural capital. This undoubtedly translates into the establishment of rules of behavior, norms and an institutionality that ensures adequate local management and coordination.

A very simple and practical example is to establish a mechanism that channels private funds from local entrepreneurs to collective activities of environmental management. This may be through an initial or periodic contribution, for example to obtain a license to operate. This may also be through a percentage of sales such as in Bonito. The central issue is that these resources be managed locally, which stimulates the participation of local private sector and the community in the collective actions to preserve the natural capital.

These resources usually are not enough and it may be necessary or highly convenient that the national authority complement these resources with additional financing in environmental management, training, infrastructure etcetera. But at least it strengthens the participation of the local community and generates a basis for decentralized administration.

The path from an improved competitive advantage in ecotourism to a superior source of competitiveness require, on top of what was said above, that private enterprise gets involved with scientific research, in the biology, geology and history of the place, to generate new knowledge that is the basis of superior competitive advantage.

This may also take different forms and will be expressed in the creation of local institutions. The private entrepreneur could contribute financially to the scientific research or better still could become personally involved in research and transform itself in a generator of new knowledge.

This is the basis for the training of guides and the education of local population, as well as for the creation of substantive information to be offered to the tourist, all of which are indispensable elements to transform a visit into an unforgettable learning experience.

This also allows the generation of appropriate technologies, both in management and operation of ecotourism. Frequently this knowledge is used for the production of goods and services that can be sold as such, leading to the capacity to generate income independently from the actual visit of tourists to the place.

On its turn, this is the basis that allows the establishment of a permanent relationship between the ecotourism site and its visitors. If to the unforgettable experience of the visit the possibility can be added for the visitor to get involved, another superior competitive advantage is added to local ecotourism.

In this trajectory from basic advantages to superior advantages there is not one way. Each place has to develop its own attraction, with institutions and behavioral norms apt for the place. Nevertheless, the constant elements are:

- an adequate environment for private investment in natural capital
- local decentralized management of natural patrimony and efforts to obtain rents from it in a sustainable way
- mechanisms that allow private involvement in scientific research and generation of new knowledge.

Ecotourism and Small Businesses: Keys for Success

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1. Introduction

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[1] This material was published in the ECLAC Seminars and Conferences Series no. Nro. 17: "Memorias del seminario internacional de ecoturismo: políticas locales para oportunidades globales", December 2001

locality around the ecotourism industry, sometimes referred to as the meso-level of analysis.

Second, blueprints that guarantee success do not exist, especially not regarding local organization of ecotourism. Each situation is unique and local actors have to develop their own approach. Moreover, adaptations are constantly required to accommodate new challenges. This paper does not try to identify what exactly needs to be done in any situation, nor does it aim to say how it should be done. The goal is to identify under which circumstances local actors around the ecotourism industry will indeed be able to create the conditions for success.

The case-studies on which this paper draws used the cluster framework that stems from business administration and the analysis of firm strategies. The application of the notions of cluster analysis to ecotourism constitutes the novelty of the paper. Therefore, the paper starts by expliciting the central tenets of cluster analysis and how these apply to ecotourism. Second, evidence of the case-studies is presented using this analytical framework. Finally, the section with conclusions identifies keys and obstacles on the road to success in ecotourism with small firms.

2. The cluster approach applied to the ecotourism industry: what constitutes superior competitive advantage in this case?

The cluster concept was introduced by Michael Porter to explain how, in certain industries and in particular places, groups of firms have reached competitive excellence. He found that a leading competitive position in a particular industry usually is founded on the interaction among four sets of factors: specialized resources, business rivalry, supporting industries and demanding customers.

The European literature on industrial districts, inspired mainly by the Italian experience, also emphasizes the interaction among firms and local institutions and attaches particular relevance to social cohesion as factors underlying the capacity to innovate found in groups of specialized small businesses. All this literature has been developed mainly with reference to manufacturing industry, in particular high-technology sectors, in industrialized countries. The insights have not been applied much to natural-resource based sectors in developing countries. Therefore, its application to ecotourism in developing countries may require an adaptation of the analytical concepts.

In essence, the cluster concept expresses the idea that rivalry and collaboration in a geographic agglomeration of firms in a particular industry determine the capacity to upgrade sources of competitive advantage that the agglomeration exhibits. The upgrading of sources of competitive advantage, or in an evolutionist framework, the capacity to innovate, is essential to the progress in economic value added. Increasing value added is the only real way to make economic growth, social equity and environmental protection compatible.

An article of Pine and Gilmore[2] presents a vision of the progress of economic value added that is rather apt for the discussion on ecotourism. In their view, a basic stage in the creation of economic value is the extraction or production of basic, undifferentiated goods or commodities, for a mass markets and at the minimum price. A superior stage concerns the manufacturing of differentiated products. The delivery of services is the third stage, superior to the previous two. The most interesting point in their proposal is that the world is entering a fourth phase of value creation, which is the staging of happenings. In this phase, the modern consumer seeks to obtain memorable experiences. Applied to tourism, this idea translates to the notion that there are qualitatively different forms of tourism. The most basic form is an undifferentiated product such as sun and sand, which has a uniform low price and little differences among places that offer the product. A superior stage is the differentiated tourism product, considering for example the quality of service that allows to charge a premium price. The most superior stage is reached when a tourist is willing to pay a high price for the privilege to undergo a unique and unforgettable experience. This is the stage where ecotourism points at. Cluster theory seeks to explain the determinants of the evolutionary process that leads a group of firms to go from one stage to the next.

Let us explore how concepts from cluster theory may be understood in its application to ecotourism and how certain places in Latin America dedicated to this industry are situated following these notions of competitiveness. In the first place, subjacent to the analysis is the notion that there are inferior and superior sources of competitive advantage. The former are inherited or basic and the latter are constructed and advanced. The process of upgrading is the construction of new and superior sources of competitive advantage. Table 1 illustrates the different sources of competitive advantage in the case of ecotourism.

A typical situation of basic or inherited competitive advantage is for example a virtually unknown natural attraction. Access is difficult, reception infrastructure nonexistent. The attraction of the site could precisely be that it is unknown, that it allows the visitor to experience something entirely new. The visitor is attracted by the hope of finding something unexpected. The obstacles involved in visiting the site may also constitute a kind of attraction, in the sense that they present challenges to be overcome. This type of tourism however does not generate much income because there is not a lot of things to spend money on and by definition there are not a lot of visitors. This type of tourist attraction is basically a common good with free access. It would be a mistake to consider this situation as the superior form of ecotourism.

Characteristic of these situations is that there is a debate regarding the desirability of improving access conditions, build access roads and create a reception infrastructure and allow the number of visitors to increase. One argument in the debate is usually that nature should be kept in its original state and the number of visitors should be kept to the minimum. The argument is not convincing from the viewpoint of economic growth. In many instances, not allowing economic exploitation of nature capital through tourism

[2] Pine II, J. and J. Gilmore, Welcome to the Experience Economy, Harvard Business Review, July-August 1998

makes any other economic use more attractive to the local population than leaving the site untouched. Usually, extensive husbandry or lumber extraction take place. The need to generate income may end up destroying the environmental capital, even if it is legally protected as a National Park or conservation site. To preserve the natural capital it is necessary to create an income stream that requires investment in nature preservation. Ecotourism may precisely do this, allowing even to improve and extend the protected area.

It is therefore necessary to go beyond this stage and advance to a situation of improved competitive advantage. In these cases, the natural attraction is no longer unknown. It has been explored and researched and mechanisms have been developed for its preservation. Typically, in these places activities arise that do not pertain to the nucleus of ecotourism, as there may be outdoor sports, cultural heritage tourism, a variety of gastronomic attractions, handicrafts and so on. A big advantage of the development of these activities is that they present low barriers to entry, occasionally even for local micro entrepreneurs. The competitive advantage of the site as an ecotourism attraction is enhanced by the multiplicity of other activities and the interaction among them. A challenge no is the adequate coordination of these activities so that some that may be potentially disruptive, such as transport systems or nightlife, do not have a negative impact on nature or distort the image of the place.

Table: Stages of Competitive Advantage in Ecotourism

Factors/phases	Beginnings	Basic C.A. Start-up	Improved C.A. Consolidation	Superior C.A. Innovation
Nature	Unknown, at least as a site for ecotourism	Explored	Visited, researched and Preserved	Extended or recovered, with international recognition
Access	Non-existent	Hard	Easy	Virtual
Places to stay	Non-existent	Rudimentary	Comfortable and integrated with nature	Differentiated through standard of service
Related attractions	Non-existent	Facilities for outdoor activities	Local culture and gastronomy	Supply of green products, organic food etc, even from other places
Visitors	Explorers	Adventurers	Conscious tourists	People with a commitment that goes beyond the visit
Competitive advantage as an ecotourism site	The mystery	The novelty, something different. Obstacles as challenges	The capacity to allow an important inflow of tourists to live a unique experience and	The capacity to allow people to contribute to preservation, improvement and

			to learn	enhancement of natural capital, even from a distance

There is another, higher level of competitive advantage in ecotourism. This is appreciated in those places that excel at ecotourism. In these places, the visitor is not anymore a passive person, but is offered the opportunity to become actively involved in the preservation of nature. Frequently they become the most active protectors of the environment in these places. This also allows the generation of income "from a distance", from consumers that do not necessarily actually visit the place. It is also common to find in these places a know-how that is exportable to other places, regarding both "soft" or organizational knowledge and "hard" knowledge about appropriate technologies. Income generation in these places permits the enhancement of natural capital, leading to the expansion of protected areas.

Let us explore how this typology of sources of competitiveness arises from the case studies and what are the success factors that have permitted in some places the transition from a situation of basic competitive advantage to superior stages of competitive advantage. The analysis of the case studies also leads to the identification of obstacles or threats that, if not resolved, may generate contradictions and reversals of a successful development path.

3. More or less successful cases in Latin America: the experience with local policies to grasp the global opportunity of ecotourism.

The clearest case of basic competitive advantage we have found in the Aysén Region in the South of Chile, also referred to as the Patagonia Chilena[3]. The place has been colonized and opened up very recently and its attraction as a tourist destination was virtually unknown until a decade or so ago. The San Rafael lagoon is the most well-known attraction, but this is a case of complete absence of any regulation or environmental management whatsoever. The National Forestry Corporation (CONAF) administers the National Park where the lagoon is located, but is unable to charge the legal entrance fee nor to exert effectively its competence as a regulatory authority because the access is over water and that is competence of the maritime authority that does not collect fees or establish environmental regulations. Firms that exploit the site are not from the region and do not have contacts with the regional Government.

In the area fly-fishing has developed strongly, mainly by North-American firms dedicated to the same activity for example in Alaska. Although these firms have a high ethical standard regarding environmental management, no formal relationships exist with local authorities. Many locals think that ecotourism is the most promising economic opportunity for the region. They may be peasants thinking of using their land for tourism purposes, local shopowners or people wishing to set up a place to stay for tourists. Undoubtedly many people are undertaking initiatives in this direction, but they are

[3] Buitelaar, Schulte and Silva (2001), in: CEPAL (op.cit.)

oftentimes ill perceived. Information about tourists and their preferences does not flow, hardly no specialized training and education opportunities exist. Many initiatives fail.

Another example that could be typified as a place with basic advantages is that of Huatulco in Mexico[4]. It is basically a sun-and-sand type of tourism that uses the ecotourism label in an effort to differentiate itself from other destinations. But the negative impact of mass tourism on the environment does not seem to be compensated by the conservation efforts, although recently an area of nature protection has been formalized. It is hard for small firms to offer goods or services to the industry organized by large national and foreign firms, and little is organized to improve the insertion of small firms.

A similar case, showing signs of improved competitive advantages but with underlying problems that socavate its virtues, can be seen in San Pedro de Atacama in the desert in the North of Chile. Here also exists a protected area under CONAF administration, but virtually without connections to local entrepreneurs. Some of the attractions, most noticeably the Tatio Geysers, are an example of abandonment and lack of coordination.

A part from the environmental management, the main problem that has arisen in San Pedro is the conflict between indigenous population and firms from different segments of the tourism market. Apparently, the local population feels itself violated by tourism, be it of the more adventurous or the more luxurious type, because it does not respect the archeological remains nor its agriculture-based lifestyle. Local administrations have not found the way to harmonize tourism with nature and culture. There is a distinct segment at the low end of the market where small firms thrive, but usually these entrepreneurs are from elsewhere in Chile or foreigners.

Where we do have a successful example of a transition toward improved competitive advantage is in the case of Bonito, in Mato Grosso do Sul state in Brazil. Under the impulse of a dynamic group of entrepreneurs, the municipal authority established an interesting mechanism that captures funds from tourists to improve local conditions, finance training to guides, controls the carrying capacity of the attractions and establishes a mechanism for control of environmental regulations. This refers to the "single voucher" system, which is the only way to sell an entrance ticket to any one of the two dozen privately owned ecotourism attractions in Bonito. The single voucher is sold by "locally owned "tourism agencies" and requires the agency to ask permission, usually over the phone and instantly, from the municipality to issue an entrance ticket. This way, the municipality charges a fee from which all agents are paid, establishes the requirement that all visitors are accompanied by trained guides and controls the carrying capacity. The guide is the person who transforms the visit into an experience and at the same time monitors the environment and controls firm behavior. It is interesting to note that this activity was established prior to the declaration of Serra do Bodoquena as a National Park. This organized transition from a rural economy to a services economy has created many opportunities for local start-ups.

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[4] Barkin (2001), in: CEPAL, op.cit.

Cases where superior competitive advantage clearly exist can be found in the Galapagos Islands and in Monteverde, Costa Rica. In Galapagos the elaborate institutional set-up is impressive, including a legal framework for the administration of the territory, for which the constitution of Ecuador had to be adapted. There is the National Park, the Administrative Authority for the territories, the Charles Darwin Foundation, the Research institute and even a club of friends of the Galapagos. Undoubtedly, this experience is one of the cases of excellence in ecotourism in the Americas and in the world.

In Monteverde, ecotourism destination even before the term was invented, the efforts to preserve nature were adopted spontaneously during the Quaker colonization period in the fifties. A National Park under private property was established, and the community generated a capacity to organize itself through the Monteverde Institute, the coffee cooperative and the milk plant. Ecotourism started out as scientific tourism interested in biology research.

The crossroads at which Monteverde presently finds itself has to do with the introduction of other forms of tourism, more related to jungle adventures. The mechanisms of old that coordinated so successfully the integration of scientific tourism into the community ceased to be effective and now a local political-administrative framework is lacking to administer tourism in the place and resolve matters so basic as for example traffic congestion or waste disposal.

No one of these cases is entirely black or white. There is potential and successes in all cases, as well as contradictions and failures. Nevertheless, the comparison of cases allows the extraction of some tentative conclusions regarding how a place with basic advantages transits toward the construction of improved and superior advantages and what are the potential pitfalls and conflicts in the process.

4. Conclusions

The path from inherited or basic advantage in ecotourism toward improved advantages is transited when the private firms start to invest in environmental management just like any other investment by an entrepreneur in its working capital or equity. This may occur spontaneously and in a collective manner, as in Monteverde, but in most cases at least in the beginning there are cases of outstanding private entrepreneurs that visualize their business in that way. There are two arguments in favor of concerted public action to increase and stimulate this type of investment.

a) economic theory suggests that private investment in a public good will be less than socially optimal because the private investor cannot capture totally the rents that may be derived from its investment. This can be clearly seen in all places where private investment in natural capital is lacking.
b) Even in the places where private investment in nature protection has come about spontaneously, it cannot continue to work like that with an increase in ecotourism. Free-riders will appear, firms that benefit from the initial investment by others without contributing to it. Worse still, there can be private investments in activities that damage the collective natural capital.

For these reasons, it is necessary to create a climate, a favorable setting to ensure and increase private investments in natural capital. This undoubtedly translates into the establishment of rules of behavior, norms and an institutionality that ensures adequate local management and coordination.

A very simple and practical example is to establish a mechanism that channels private funds from local entrepreneurs to collective activities of environmental management. This may be through an initial or periodic contribution, for example to obtain a license to operate. This may also be through a percentage of sales such as in Bonito. The central issue is that these resources be managed locally, which stimulates the participation of local private sector and the community in the collective actions to preserve the natural capital.

These resources usually are not enough and it may be necessary or highly convenient that the national authority complement these resources with additional financing in environmental management, training, infrastructure etcetera. But at least it strengthens the participation of the local community and generates a basis for decentralized administration.

The path from an improved competitive advantage in ecotourism to a superior source of competitiveness require, on top of what was said above, that private enterprise gets involved with scientific research, in the biology, geology and history of the place, to generate new knowledge that is the basis of superior competitive advantage.

This may also take different forms and will be expressed in the creation of local institutions. The private entrepreneur could contribute financially to the scientific research or better still could become personally involved in research and transform itself in a generator of new knowledge.

This is the basis for the training of guides and the education of local population, as well as for the creation of substantive information to be offered to the tourist, all of which are indispensable elements to transform a visit into an unforgettable learning experience.

This also allows the generation of appropriate technologies, both in management and operation of ecotourism. Frequently this knowledge is used for the production of goods and services that can be sold as such, leading to the capacity to generate income independently from the actual visit of tourists to the place.

On its turn, this is the basis that allows the establishment of a permanent relationship between the ecotourism site and its visitors. If to the unforgettable experience of the visit the possibility can be added for the visitor to get involved, another superior competitive advantage is added to local ecotourism.

In this trajectory from basic advantages to superior advantages there is not one way. Each place has to develop its own attraction, with institutions and behavioral norms apt for the place. Nevertheless, the constant elements are:

- an adequate environment for private investment in natural capital
- local decentralized management of natural patrimony and efforts to obtain rents from it in a sustainable way
- mechanisms that allow private involvement in scientific research and generation of new knowledge.