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**THE IMPERATIVE FOR SMALL BUSINESS DEVELOPMENT IN LOCALIZED HOST
COMMUNITIES: FOCUS ON EXTRACTIVE INDUSTRIES**

FRIDAY, JUNE 14, 2013

PARIA SUITES, LA ROMAINE, TRINIDAD

OUTLINE

- Research Methodology and LED Definition
- Challenges and Risks
- Small and Medium Enterprise Analysis
 - Priority sectors
 - Main needs for SME development
 - LED strategies to support SMEs
- SMEs Sector Analysis - Case Studies (Oil and gas, mining, and emerging energy markets)
- SMEs in Emerging Energy Markets
- Recommendations

RESEARCH METHODOLOGY

Collaborative fashion with desk and field-based research contributions edited by a committee review team. The methodology included:

- Literature reviews of peer-reviewed academic journals (mining, oil and gas, tourism, small business development, and entrepreneurialism)
- Reviews of regional journalist and industry publications (grey literature)
- Data collection and statistical analysis from organizations (e.g. ILO, Jampro, etc.)
- Field research (March – April 2013) from Southwest Peninsula, Trinidad and Tobago
- Contributors: Andrew Bacchus, Takiyah De Four, Kizzann Lee Sam

WHAT IS LOCAL ECONOMIC DEVELOPMENT (LED)

FCMI defines LED as *a participative, locally-owned, inclusive and holistic approach to building economic capacity and promoting long-term economic development in a given territory.*

The overarching goal of LED is to improve the long-term economic future and quality of life for the whole community.

Engagement of stakeholders and ownership of community based initiatives are critical to successful implementation of projects.

CHALLENGES - GENERAL

- **Single Product Economies** - “Banana republics” (OECS), Oil and Gas (Trinidad and Tobago) and Tourism (General)
- **Small Population** - traditional reliance on outside markets and central government
- **Limited Employment** – Extractive industries limited in their ability to generate large-scale and full time employment
- **Skilled Labour Force** - Fly In Fly Out Programmes
- **Limited Role of Local Government** – Strategic planning and overall LGA effectiveness limited by available staff, resources, skills and funding

RISKS FOR LOCAL COMMUNITIES WITH EXTRACTIVE INDUSTRIES

Developing the extractive sector carries risks such as:

- Long-term impact to the other traditional sectors (tourism, agriculture, fisheries etc.)
- Environmental tradeoffs and the overwhelming cost of reclamation
- Health of residents and waterways
- For SMEs, unsteady contract work with short turnarounds, high-capital investment in equipment with a high debt load
- Significant billion-dollar infrastructure investments
- Inflation and rising costs
- Unfair distribution of the resource wealth



SMALL AND MEDIUM ENTERPRISES

GENERAL AND CARICOM BASED

SMEs are central to the survival and success of the Community

The sector is seen as having the potential for creating backward and forward economic linkages; to reduce foreign currency expenditure; to utilise local raw material inputs; and to enhance economic and social conditions generally.

These enterprises are further perceived to be flexible; able to respond rapidly to the market; innovative; and are key sources of employment generation for women and youth.

THE ROLE OF SMALL ENTREPRENEURS IN STRENGTHENING THE CARICOM SINGLE MARKET AND ECONOMY": ADDRESS BY AMB. LOLITA APPLEWHAITE, DEPUTY SECRETARY-GENERAL, CARICOM, TO THE ANNUAL GENERAL MEETING OF THE SMALL BUSINESS DEVELOPMENT FINANCE TRUST, 30 JUNE 2006, GEORGETOWN, GUYANA

ANALYZING SMALL AND MEDIUM ENTERPRISES

SIZE

20-200 employees (SMEs) or 5-200 employees (MSMEs) - Canada
7-25 employees (SMEs) - CARICOM

ENTREPRENEURS AND ECONOMIC DEVELOPMENT

Entrepreneurs create economic development by establishing new businesses, growing and sustaining existing businesses and developing and upgrading labour.

LOCAL SUSTAINABILITY

Small-scale, localized forms of socioeconomic organization that promotes self-reliance

SECTORS

164 different sectors globally according to IFC study

SMES IN LOCALIZED COMMUNITIES WITH EXTRACTIVE INDUSTRIES

- **Extractive industries** - Companies with a global profile adopt Corporate Social Responsibility (CSR) as an integral element of their corporate plan, contributing on both national and local levels.
- **Small and Medium Enterprises**
 - Often unable to quantify contributions to the localized community
 - Local Government not viewed as a facilitator of growth (enabling environment)
 - Do not see the benefits in adopting CSR policies or engagement with public private partnerships as an investment to support growth and expansion of businesses.



ANALYZING SMES: CARIBBEAN



GDP

- Three quarters of total business activities

EMPLOYMENT

- 45% of all jobs in CARICOM

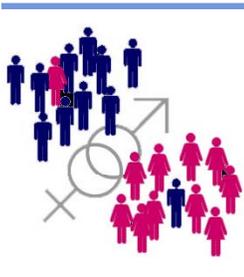


GROWTH

- Positive growth rates over time

SKILLS GAPS

- Skills gaps = obstacle to the operation and growth of firms



GENDER

- Women = retail/distribution, agriculture, tourism and light manufacturing
- Men = construction, manufacturing, tourism, finance and business and personal services

SMES – PRIORITY SECTORS & TRENDS

PRIORITY SECTORS IN TRINIDAD & TOBAGO

Downstream Petrochemicals, Yachting, Fish and Fish Processing, Merchant Marine, Printing and Packaging, Music and Entertainment, Film, Food and Beverage, Services, Business Process Outsourcing , and Healthcare

DEVELOPMENT TRENDS IN THE CARIBBEAN

HOME BASED ECONOMIC ACTIVITIES (HBEA)

Micro-entrepreneurs, majority women working in in sectors of agriculture, animal husbandry, services, retail and fashion

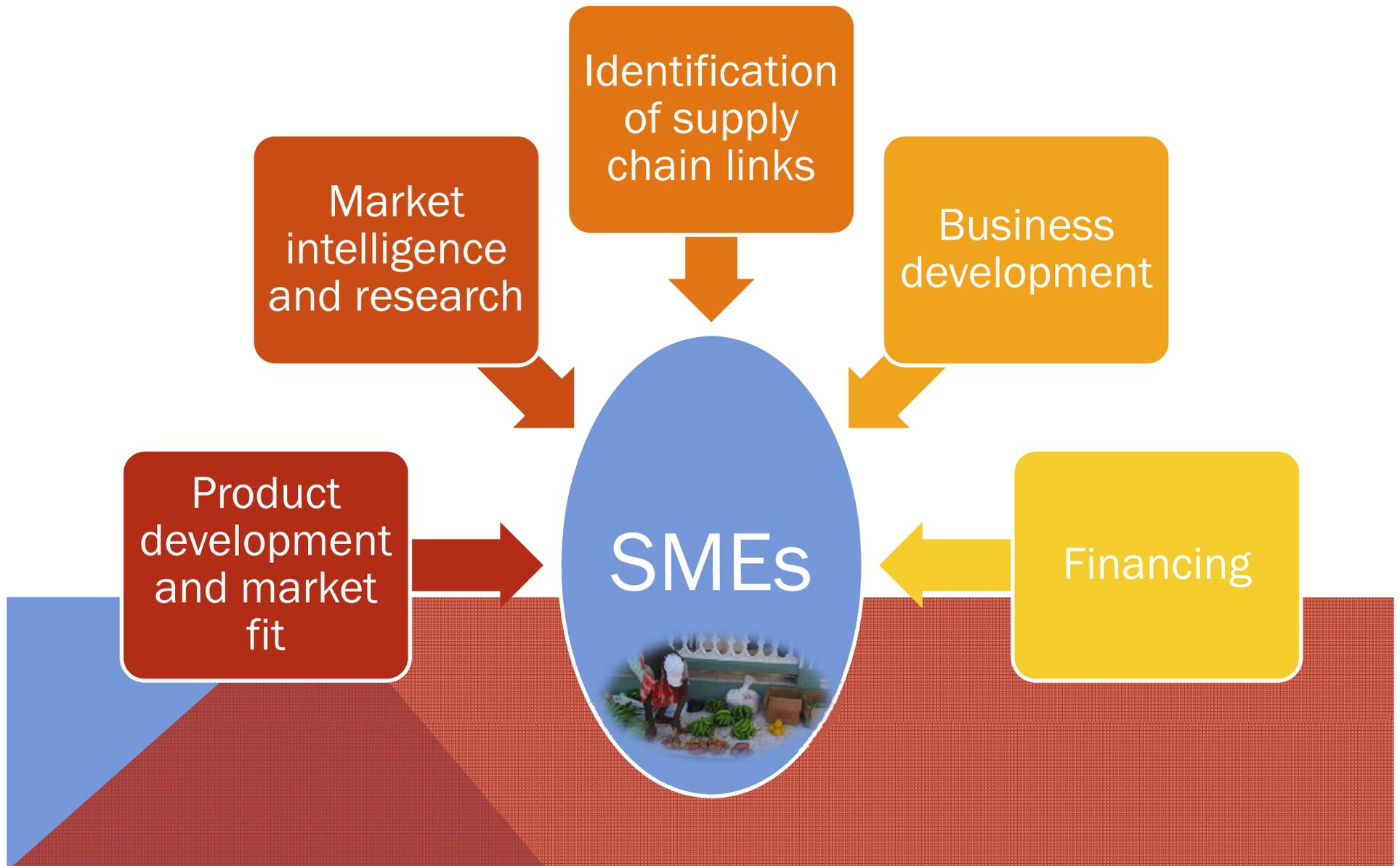
CARIBBEAN ENTREPRENEURS

Creative Industries – Culture driven, primarily related to the entertainment sector of music, clubs, festivals and alternative tourism

PRIORITY SECTORS IN THE CARIBBEAN

Belize	<ul style="list-style-type: none"> • Tourism, Agriculture (fair trade products), Agro-processing, Furniture manufacturing, International financial services
Grenada	<ul style="list-style-type: none"> • Tourism, Spices, Fish
Guyana	<ul style="list-style-type: none"> • Agribusiness, Agriculture, Seafood and Aquaculture, Light Manufacturing, Forest products, Sustainable Tourism, IT-enabled Services, Mining, Business Process Outsourcing, Energy
Jamaica	<ul style="list-style-type: none"> • Aquaculture, Visual and Performing Arts, Authentic Gifts/Crafts • Fashion, Entertainment, Manufacturing, Agro-processing & Agribusiness, ICT/Knowledge services, Creative industries & film, Tourism, Professional services, Bauxite and mining
Saint Lucia	<ul style="list-style-type: none"> • Bananas, Paper paperboard products, Electronic/Electrical products, Processed foods, Apparel and textile
Trinidad & Tobago	<ul style="list-style-type: none"> • Downstream Petrochemicals, Yachting, Fish and Fish Processing, Merchant Marine, Printing and Packaging, Music and Entertainment, Film, Food and Beverage, Services, Business Process Outsourcing Healthcare

MAIN NEEDS FOR SME DEVELOPMENT



INITIATIVES IN SOUTHWEST PENINSULA



NEDCO

Small business loans and training

NATIONAL INTEGRATED BUSINESS INCUBATOR SYSTEM (IBIS)

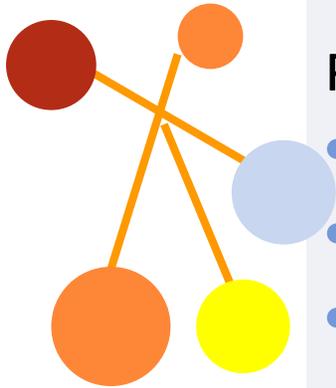
6 month training for entrepreneurs, plus work space and financing

SOUTHWEST LED PROJECT

Economic diversification in natural resource regions, supporting small enterprises

LED STRATEGIES TO SUPPORT SMES

CLUSTERS



Provide more sophisticated market access

- Advocacy
- Jointly develop resources
- Efficiency
- Access to information

BACKWARD LINKAGES

- Extractive sector demands for local inputs
- Opportunities for corporate policy to support local procurement
- The Cannonball Project (BPTT)



CARIBBEAN CLUSTERS

Caribbean Association of Small & Medium Enterprises Inc. (CASME)

- Established in 2005
- Secretariat in Barbados
- Membership of regional SBAs – Barbados, Trinidad and Tobago, Jamaica, St. Vincent, St. Lucia, Antigua, Guyana, Belize, Grenada, St Kitts & Nevis, Montserrat, Suriname, Dominica and Haiti
- Objectives – Advocacy, trade facilitation, training & development, access to finance*

*Source: [http://www.onecaribbean.org/content/files/LynettePHolder_CASME_SMEChallenges\[1\].pdf](http://www.onecaribbean.org/content/files/LynettePHolder_CASME_SMEChallenges[1].pdf)

CASE STUDIES

CANADA

CASE STUDY – SMES IN OIL & GAS: FINDINGS FROM ALBERTA



Brianna Whitmore/The Sheaf

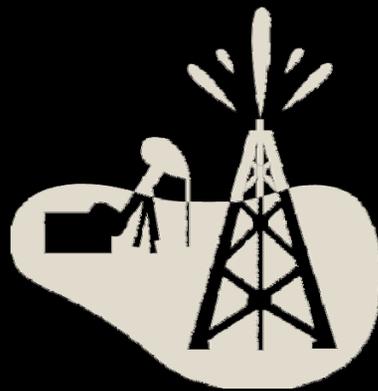
Companies use
thousands of
contractors

- Oil producers may spend anywhere between \$35 and \$85 for every one of the 1.5 million barrels that flow out of the area each day

- Every job in the mine is estimated to generate three service opportunities

EXAMPLES OF SME ACTIVITIES IN THE OIL SANDS FORT MCMURRAY HUB

Teachers of safety courses, electrical contractors, housekeepers, consultants



Helicopter owners, dry cleaners, financial-service providers, renters of equipment, book keepers, clothing providers



- Water carriers, sewage haulers, truck cleaners, drivers of buses and bulldozers, welders, build, erect scaffolding,, build, roof builders, and wire up big plants

MINING



Job creation occurs over three major phases:
(1) construction
(2) operation or production
(3) closure or reclamation



Significant employment in the construction phase



Mine life expectancy approximately 17.5 years

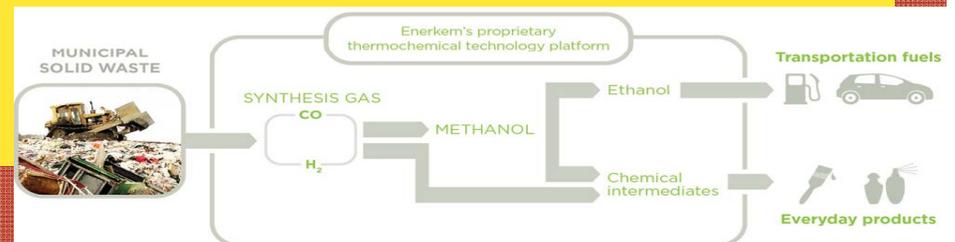
SMEs gains from supply chain, or providing services and products for waged workers at the mine (e.g. resource town)

Tax revenue for local economies

SMES IN EMERGING ENERGY MARKETS

AB9

- Innovation is an advantage for SMEs seeking to develop, particularly in communities traditionally known for energy or other extractive production
- **Case Study from Southwest Ontario (Beef and Solar)**
 - *Over three thousand solar panels sit atop cattle barns, collecting 675 kw of energy. The London Free Press reports solar energy from the 10,000-cattle operation is enough to power 67 homes.*
- **Case Study from Quebec (Biofuels)**
 - *These plants convert municipal solid waste into methanol and cellulosic ethanol. Green chemistry provides a source of clean energy as well as a sustainable alternative to landfill and incineration*



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AB9

What about re-titling this to "Capitalizing on Innovation" - and then you can provide the two Canadian regional examples?

AB; 13/06/2013

RECOMMENDATIONS FOR SME DEVELOPMENT

PEOPLE

- Gender equivalency business training that shares skill sets among both genders
- Connect SME owners to the Diaspora communities for networking, mentorship, and market development
- Harness the students and the university sector to help with business development, specifically investigate potential markets for Caribbean SME-produced products (see Punnet and Morrison, 2006)

POLICY AND RESEARCH

- Assisting companies with developing corporate policy to support local procurement
- Assisting central government with research analysis that benefits local host communities

RECOMMENDATIONS FOR SME DEVELOPMENT

LOCAL ECONOMIC DEVELOPMENT (LED)

- Develop a network of SMEs working in environmental or natural resource management
- Formalization of SMEs, so that local communities can collect tax revenue
- Assist SMEs with trade shows, distribution, and field or study tours. For example, organize a study tour to the PDAC International Convention in Toronto in March, the world's largest mining convention trade show with 30,000 attendees from over 125 countries
- Municipal economic development planning for resource town(s)

RECOMMENDATIONS FOR SME DEVELOPMENT

DONOR FUNDED PROGRAMS

- The Government of Canada - Commitment to stimulating sustainable economic growth
- CARILED's mandate incorporates elements of CIDA's **Sustainable Economic Growth Strategy** and focuses on:
 - Building economic foundations
 - Growing businesses, resulting in increasing employment opportunities for the poor; and
 - Investing in people

CARILED will work with 14 Caribbean countries and will focus on demonstration projects in 7 Caribbean countries during Phases 1 and 2. Demonstration countries are Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia and Trinidad & Tobago

RECOMMENDATIONS FOR SME DEVELOPMENT

WHAT IS CARILED?

- A joint \$23 million Local Economic Development program **AB11** over six years (2012-2018)
 - Implemented by FCM, in partnership with CFLGM, CALGA and CLGF
 - Funded by CIDA (In-kind contributions from Canadian, Caribbean and Commonwealth partners)
 - Ultimate Outcome: To stimulate and increase sustainable economic growth benefiting men, women and youth in the Caribbean
- ### Intermediate Outcomes
- Improved economic governance and service delivery related to the growth of MSMEs
 - Strengthened competencies and governance capacities at the local level
 - Improved implementation of policies, programs and knowledge sharing at national and regional levels
 - Special emphasis on the needs of female-led enterprises

Partners:



CFLGM



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AB11

I think the Outcomes on the right-hand side flow better with the presentation than the information here on the left-hand side.

AB; 13/06/2013

VIRTUAL BUSINESS SUPPORT FOR SMES

SME Toolkit: a virtual business support site developed by the International Finance Corporation and IBM: www.caribbean.smetoolkit.org

ETIIC (Entrepreneurial Training Institute & Incubation Centre), an initiative of NEDCO

Jamaica Cluster Competitiveness Project (JCCP) as developed by the Jamaica-based The Competitiveness Company www.thecompetitivenesscompany.com

OECS Export Development Unit (EDU) <http://www.oecs.org/our-work/units/edu>

SMExchange developed by the World Bank
<http://wbi.worldbank.org/wbdm/idea/smexchange>

CASME - <http://173.230.135.45/dev/casme/>

THANK YOU



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