THE IMPERATIVE FOR SMALL BUSINESS DEVELOPMENT IN LOCALIZED HOST COMMUNITIES: FOCUS ON EX 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**
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.
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

PRIORIT Y 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 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Sectors</th>
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</thead>
<tbody>
<tr>
<td>Belize</td>
<td>Tourism, Agriculture (fair trade products), Agro-processing, Furniture manufacturing, International financial services</td>
</tr>
<tr>
<td>Grenada</td>
<td>Tourism, Spices, Fish</td>
</tr>
<tr>
<td>Guyana</td>
<td>Agribusiness, Agriculture, Seafood and Aquaculture, Light Manufacturing, Forest products, Sustainable Tourism, IT-enabled Services, Mining, Business Process Outsourcing, Energy</td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>Bananas, Paper paperboard products, Electronic/Electrical products, Processed foods, Apparel and textile</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>Downstream Petrochemicals, Yachting, Fish and Fish Processing, Merchant Marine, Printing and Packaging, Music and Entertainment, Film, Food and Beverage, Services, Business Process Outsourcing Healthcare</td>
</tr>
</tbody>
</table>
MAIN NEEDS FOR SME DEVELOPMENT

- Identification of supply chain links
- Market intelligence and research
- Business development
- Product development and market fit
- Financing

SMEs
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)
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
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

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

FCM

CFLGM

Funded by: Canadian International Development Agency

Agence canadienne de développement international
I think the Outcomes on the right-hand side flow better with the presentation than the information here on the left-hand side.
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

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