

**The Minister of Finance, Honourable Winston Dookeran's  
Address Entitled**

**"A Future For SMEs in Trinidad and Tobago"**

**Hosted by the  
Bankers Association of Trinidad and Tobago**

**On  
SME Credit Rating Public Sensitization Seminar**

**At the  
The Trinidad and Tobago Chamber of Industry and Commerce**

**On  
Tuesday, January 31, 2012**

Thank you very much, Shazard. Mr. Richard Young, President of the Bankers Association, my colleagues at the head table, ladies and gentlemen.

One year ago when the initiative was taken for a joint project between the Inter-American Development Bank and CariCRIS, the world was somewhat a different place. We were at the height of much uncertainty, both globally and locally, but during the course of this year, as we assemble once more, we are beginning to see the full depth of that uncertainty which we encountered for some years.

What we are facing today is a rebalancing of the global economy, a rebalancing between deficit countries and surplus countries, a rebalancing between creditor countries and debtor countries, a rebalancing between strategies that depend on export

growth and strategies that now depend on domestic demand.

At first it appeared that this was a crisis that can be contained within the private sector and the bursting of the housing bubble in the United States and elsewhere suggested that we were dealing with a case of market failure. So it became clear that that was only the tip of the iceberg and, as we have seen over the last year, the issue has moved from the private sector to the public sector and the world is now engaged in the manifestation of that crisis through the sovereign debt crisis in Europe, Greece, of course, being the prime example but there are many others.

But even before we come to terms with the fact that the crisis has shifted from private sector to the public sector, it is now recognized that the crisis indeed affects the national economies and hence we have seen certain initiatives within recent times that are responding to the national dimension of this crisis. Europe is trying once again to redo the integration model and to include the fiscal discipline that they felt was absent.

A new diplomacy has developed on the issue of currency realignment and that diplomacy has been reflected by the global dynamics between China and the US, and in some sense we have come to the point now where the financing of development as opposed to growth has become the key issue. And therefore, it is appropriate that the Bankers Association took that step one year ago to prepare for the challenges of financing economic development.

In my view, it is in this context that the public discourse on financial matters took place and I myself, as Minister of Finance, attempted to respond to these challenges that are likely to become difficult to rein. At the heart of it is the issue of economic development and we are all aware that we must put aside what has turned out to be platitudes for diversification into real changes in the structures of the economy that will facilitate diversification.

It is appropriate, therefore, for us to reflect for a brief moment on the underlining new directions of the budget strategy over the last two years. The first was widening our economic space, geographically, sectorially and from the point of view of human capability. That has been one of the pillars in changing the structures upon which this economy, so narrowly based, is to be changed.

The second has to do with fixing the balance sheet and, more specifically, the public financial balance sheet which was at the risk of falling apart and the third was expanding the capital market and you would recollect at this very podium two years ago when I came to discuss the budget presentation of 2011, I said then that there was an underlying philosophical underpinning in the budget. We must move away from the time when we look at our budgets as "What I can get" to a budget which can answer the question, "What I can be".

That fundamental philosophical change is what we are about to set the new structures to achieve. It is in that context, therefore,

that the role of entrepreneurship was put at the front burner so that we can articulate in concrete terms the change in philosophical direction from “What I can get” to “What I can be.” I think it is fair to say that budget exercises have been seen by all as “What I can get from the State” in the past. Our attempt therefore to restructure the expectations of the budget to what I can be is a much more difficult role and is one that will not succumb to short-term political aspirations but to longer-term directional change.

The role of entrepreneurship has become important, more important now than at any time, and it is in that context that we can look at the outcome of some of the measures that have put into place in order to change the structures upon which the economy works. There’s no doubt that our financial balance sheet has now been largely restored to a level of stability. There is no doubt that we have begun to think, although we have not yet seen the investment that is required for expanding the space of these economies across the region, within the country, and in the creation of new sectors. There’s no doubt that in the process we have begun to see steps to strengthen the capital market.

Expectations for change have been the political framework within which this Government began this journey for economic transformation, but there’s no doubt that such expectations will indeed result in some anticipated pain. The response, therefore, at times, given by commentators of focusing on the pain without

focusing on the need for such pain is, in fact, one of the political issues that must be faced as we grapple with the journey of realizing the new expectation not only for us but for times ahead of us.

I say all this if only to say that what we are engaged in is not only a quick fix solution to today's problem as it manifests itself, but indeed a systematic change in the structures upon which this economy would operate in the future. It is somewhat unfortunate that many of our commentators on the issue of economics and finance do not take the time or the trouble to locate their comments in the context of the serious effort of transformation in which we are engaged. Part of that transformation clearly lies with the small and the medium enterprises for that is one of the major pillars for growth creation in our country. There is no doubt, and I believe Mr. Young mentioned it, that the small and medium-sized sector is significant worldwide.

Even here in Trinidad and Tobago I am advised that there are about 18,000 SMEs operating in Trinidad and Tobago employing approximately 200,000 persons or close to 35 per cent of the workforce and contributing near to 20 per cent of the gross domestic product. Even throughout new structures, the SME is an important pillar for economic survival and growth in Trinidad and Tobago.

What we must now do is to build some new structures that will further support the efforts of the SME as perhaps the single sector that will generate employment in the short term and to do so we

have engaged in a policy perspective on five major changes. The first has to do with the banking sector itself and we have argued that the focus of lending in the banking sector should shift, not to rely as heavily as it has done on debt financing of the Government for its profits but on loan financing to the private sector for its sustainability, and to do that we have had discussions with the private sector, with the banking sector and with the Tobago Chamber on the issue of derisking funding arrangements for the revival of the Tobago economy.

Such measures are being worked out in light of the fact that Tobago has become the first area of vulnerability in the Trinidad and Tobago economy. Derisking, therefore, is an important new measure in the structure of financing of the banking sector. Much work needs to be done in this regard.

The second area is to recapitalize the State Enterprises sector, much of which has become inefficient, much of which has not added value to the country's economy but remain a call on the public Treasury and to recapitalize that, I did announce in 2011, and further reinforced in the 2012 budget, our desire to move towards a public offerings programme. Public Offerings are not about privatization. Public Offerings are about the distribution of the wealth of the country. It is about seeking efficiency measures. It is also about building the capital market and sooner rather than later we will hear more on the actual programme that is being developed.

The third area in building new structures is to reignite the capital market and its growth for SMEs and you will recollect in the budget we introduced an additional window that will bring SMEs into direct opportunities for raising capital in the public by having what some refer to as a junior market and I hope that the stock exchange will accelerate its efforts to sell the idea as well as to make it happen, and that is part of the programme of recapitalizing or reigniting the expansion of the capital market.

The fourth area, and the one that affects this audience here today directly, is the question of refocusing on fiscal discipline. Fiscal discipline at the national level is but a mirror of fiscal discipline at the enterprise level and if we are to try and fix the fiscal discipline at the national level, it can only be sustained by fixing the fiscal discipline at the enterprise level and it is in that context I believe that the rating agency in which we are engaged in trying to build a new momentum and a new awareness is an important factor, and I have no doubt that that time has come where our enterprises must meet the standards of fiscal discipline and such must, in fact, be measured and assessed and used as the basis upon which growth will take place.

The fifth area in changing the structures ahead of us has to do with the creation of the platform referred to, I believe, by the CEO in her brief comments on the private/public sector partnerships. It is a new dimension to financing. In the past we have been accustomed with public sector financing through its Public Sector Investment

Programme, either directly from central government or with central government and state enterprises.

In the past we have depended heavily on private sector financing of investment proposals for themselves and for our country, but we recognize that the time has come to find a new partnership between private sector and public sector financing and in that we will attempt to find ways and models by which we can share the risk so that the private sector can get the returns and the public sector can reap the dividends on behalf of the people. It is, in Trinidad and Tobago, a somewhat new direction and, as I speak here today, we have professionals who are engaged in working out the modalities of private/public sector financing. I hope that the banking sector will get very much involved in this particular dimension of financing development for, through them, we can add better access to the question of financing for SMEs.

These, therefore, are some of the fundamental steps that have been taken in order to provide the new structures upon which SME growth can depend; and in so doing we hope that we can begin to address in a systematic way this new issue of financing economic development. In so doing, we must of course build a new confidence that the structures that we are building are structures that are sustainable in the future and structures that are, in fact, going to meet the demands of today's population. It is therefore important, in designing our investment plans, to ensure that we maintain, if not



increase, our employment levels. It is an important national environment but it can only be achieved at the level of the enterprise in so doing. Careful thought must now be given to all enterprises in the new structure to maintaining and increasing employment levels.

In so doing, it is also important to have very deliberate strategies for a more competitive environment, especially in today's world, and to find ways and means to increase one's productivity. I've always argued that the profitability of the national economy is dependent on the profitability and as well as the enterprises in that industry.

The third area has to do with the question of utilizing changes that are required to make it easier to do business and operate business in Trinidad and Tobago. We know that this is a difficult problem and we know that in the past attempts have been made to move in that direction. We have engaged the International Financial Corporation of the United States that is the private sector arm of the World Bank, to work with us and to devise ways and means to make it easier to do business in Trinidad and Tobago.

The indicators of doing business need to be improved. These are changes that must take place and must take place rather quickly. And finally, in terms of growing confidence, is that we must convert the financial liquidity existing in the banking sector to production and income. The existence of excess financial liquidity does little to advance the economic development of Trinidad and Tobago.

Prudent use of such liquidity is absolutely essential and, in that sense. What we engage in today would add to our ability to use that in a most prudent way to ensure that it is sustainable for the future, but indeed, it must be reduced into production and income.

I say that because I want to emphasize in my closing comments that public policy is but one complement to economic development momentum. Beyond public policy lies the decisions of the wider community, the banking sector, the investors sector, the small and medium enterprises sector, the credit agencies that is available to us. It is a combination of us all working in the same direction that will allow us to begin to change the structures so that we can, for once, say that we are on the path of real transformation. It is going to be a long road but it's a road that we cannot afford not to start and it is a road that we must be engaged in if we are to achieve a sense of confidence for the next generation.

So I say these words at a time when the Bankers Association of Trinidad and Tobago have entered into a very positive dimension to their work, not only in facilitating this venture in which we are today getting a work in progress but in many other areas. The Bankers Association of Trinidad and Tobago have taken a responsible position in all our development efforts and a large part of that must be credited to your present President, Mr. Richard Young, for the foresight that he has displayed in keeping national development at the forefront of your organization.

I thank you for the opportunity of sharing these thoughts with you and look forward to a continuing deepening conversation on real change in Trinidad and Tobago. Thank you.