



**GOVERNMENT OF THE REPUBLIC OF TRINIDAD &
TOBAGO**

MINISTRY OF FINANCE & THE ECONOMY

KEYNOTE ADDRESS

FOR

THE SENATOR THE HONOURABLE LARRY HOWAI

Minister of Finance & the Economy

**Trinidad and Tobago Coalition of Services Industries (TTCSI)
National Services Week 2014**

Venture Capital Workshop

Hilton Hotel, Port of Spain

Tuesday November 4th 2014

Thank you Mr. Chairman.

- MR NIRAD TEWARIE. CHIEF EXECUTIVE, TRINIDAD AND TOBAGO COALITION OF SERVICE INDUSTRIES (TTCSI);
- MR. HOLLIS CHARLES, VICE PRESIDENT, TTCSI;
- DISTINGUISHED TTCSI EXECUTIVES & MEMBERS OF THE HEAD TABLE;
- MEMBERS OF STAFF OF THE TTCSI;
- FEATURE SPEAKERS;
- SPECIALLY INVITED GUESTS;
- MEMBERS OF THE MEDIA,
- LADIES AND GENTLEMEN,

Good morning.

The pleasure is mine to join you this morning to be a part of the Trinidad and Tobago Coalition of Service Industries, TTCSI's National Service Week. At the outset, let me begin by thanking you for the invitation to share a few remarks this morning.

The TTCSI is no stranger to the Ministry of Finance and the Economy. You are a valued stakeholder in our annual Budget consultation exercises, and the prominent umbrella body for service sector Organisations and associations. Your contributions to the local services sector are invaluable, and have informed and guided local policy formation for the sector and the nation.

This year's National Services Week, themed "Bridging the gaps", will undoubtedly enhance the knowledge and skills set of members of the services industries in the local economy. In my remarks this morning, I shall follow on the theme of venture capital financing.

Ladies and gentlemen, the global landscape is replete with entrepreneurial success stories - persons deciding to undertake risk with a novel business idea, or simply operating businesses to bring meaningful solutions to some of life's everyday problems and routines. These include Amazon, Apple, Hewlett-Packard, Google, even the Rituals coffee shop on our way to work. Common brands we are all too familiar with, borne from human creativity and entrepreneurial spirit.

Entrepreneurship has long been an important driver of economic growth, employment, innovation and competitiveness, and it is for these reasons, Government remains committed to supporting local entrepreneurs. Over the last four years, we have undertaken a number of key initiatives to stimulate entrepreneurship and innovation in Trinidad and Tobago including:

1. The establishment of a National Innovation Policy focusing on creating an enabling environment for innovative small and micro entrepreneurs;
2. The National Integrated Business Incubator System (IBIS) to provide entrepreneurial development training and operational support to Micro and Small enterprises;
3. Expansion of the Fair Share Programme to increase Government procurement opportunities for the small business sector and encourage entrepreneurial development; and
4. Increased NEDCO's lending limit to offer more support to persons desirous of developing successful businesses. I am pleased to note this latter regard the improvements in the operations of NEDCO and, in particular, the reduction in the delinquencies over the last 4 years.

Ladies and gentlemen, Trinidad and Tobago needs entrepreneurs to continue our growth momentum, especially in a global economic

environment still recovering from the worst downturn in our generation. Being an entrepreneur is often viewed as an alternative to traditional employment, or perhaps to generate complementary income.

This reality makes your National Services Week both relevant and timely. In this context, Government continues to work towards ensuring that the environment is not only business friendly to existing businesses, but also nurturing towards local entrepreneurs. I was particularly pleased to receive a call from the World Bank last week, to be advised that Trinidad & Tobago is one of the jurisdictions which has shown the most improvement over the last year in the Ease of Doing Business. This does not, of course mean that all is perfect, but it is clear that we are moving in the right direction.

But where does venture capital fit in all of this? Venture capital is a unique means of financing that can assist us to not only bolster the work of our entrepreneurs, but also to embrace innovation as an avenue for economic transformation.

Venture capital has emerged over the years as a commitment of capital or shareholdings, for the formation and setting up of small scale enterprises at the early stages of their life cycle, since traditional lenders and investors are generally unwilling to invest their funds in entrepreneurial ideas that may seem unique, unknown and risky today. The venture capitalist plays a pivotal role when an entrepreneur has a novel idea, but no money; or when investors have money, but no novel ideas. Young companies face challenges in accessing finance since limited cash flow and the lack of tangible assets make them unattractive against stringent collateral requirements of commercial banks.

However, beyond providing funding, venture capitalists also take an active participation in the management of the company. They provide distinctive expertise and qualities of a financier, technology specialist, planner, project manager – effectively partnering with the entrepreneur. This involvement is an effective channel through which knowledge and best practices are transferred.

Ladies and gentlemen, to date, the local and regional venture capital industries are yet to mirror some of the venture capital success stories of the US. However with the right policy mix, and appropriate strategies, we can create a local venture capital industry that is more developed and better positioned within an enabling venture capital system. This is the only way we can ensure that some of the world's most innovative ideas and solutions of tomorrow are indigenous to Trinidad and Tobago.

On a worldwide basis Government funding interventions alone, in a VC fund for example, have limited success in developing the venture capital industry. Research published in *The Economist* has indicated that State-funded venture capital may deter private investors who may be interested in nurturing some of the best ideas. The research has also indicated that despite EU funding to the European Investment Fund, a specialist provider of risk finance to benefit small and medium-sized enterprises across Europe, venture capital in Europe has delivered very minimal returns.

Our experience in Trinidad and Tobago is similar as we've seen Venture Capital Funds come and go with little result. There is also a misconception of Venture Capital Funds as being easy source of obtaining funds. Nothing can be further from the truth. Recognizing that a fool and his money are soon parted, Venture Capital organizations do extremely rigorous analysis of the business, into which

they are investing, are very demanding in terms of the controls that they expect to be in place and negotiate onerous conditions for the opportunity to separate them from their money. The development of successful businesses requires more than just a good idea and a certain amount of money, it requires an insightful understanding of the market, a sound value proposition that appeals to the market, a disciplined focus on the business objectives and a razor sharp focus on cost, control and cash flow management. It also requires a facilitative ecosystem to help develop and grow. In particular, an appropriate legal and regulatory framework and a package of incentives that encourages business development.

Building the venture capital ecosystem is a mandate that the Government is addressing since the absence of venture capital as a source of entrepreneurial financing could force home-grown talent to migrate overseas where investment funding is more abundant. Our role must therefore be focused on enhancing the region's venture

capital ecosystem as opposed to simply funding venture capital. Government continues to focus on the strength and stability of the local financial sector, and vital reform initiatives necessary to transform our economy. In addition to this, we are committed to sound macroeconomic management which will be the underlying foundation to build a nurturing venture capital ecosystem.

Just as importantly, we have announced in the Budget this year a \$50 million fund to be established in the Ministry of Planning and Sustainable Development to assist with business startup.

Having said that, I should add that the absence of a venture capital industry has not prevented the development of new business. I am aware of countless successful businesses who were able to get their businesses going with a minimum of venture capital support. In fact, numerous are the stories of businesses which have become successful, starting with little or no financing and relying on support from friends family, sou sou hands and the like to get them going.

An excellent example is Mr. Anthony Sabga who built the Ansa Mcal Group a billion dollar empire, starting with literally no capital. There are others such as Caribbean Sales Agency, the Harricrete Group and many others which started from humble beginnings. I am aware of many of them, having seen them develop and grow in my thirty five years as a banker.

Of course, the businesses that will succeed in the future will look a lot different from those of the past and, as time changes, and the global economy becomes more integrated the methods of financing business will change. The qualities that make them successful though hard work, persistence, a good understanding of what the customer wants, will not change.

The drive to innovate and be competitive should expand beyond the technology industries. I encourage entrepreneurs here today to transform our traditional sectors such as agriculture, energy, and tourism into highly competitive and sustainable sectors. I also

encourage you to look into the creation of new industries in biotechnology, clean energy and healthcare.

It has been almost a decade since the onset of the global financial crisis and the ensuing global economic downturn. Though the global economic situation is far better than it was at the beginning of the financial crisis, the subsequent economic recovery has been slow and fragile. Emerging risks therefore mandate that we think beyond conventional measures and examine ways to boost innovation and competitiveness as an avenue for economic growth and transformation.

As the largest sector in the local economy, the diverse services sector can be instrumental in driving the economy forward. I urge you to appreciate your value in moving our economy and nation forward.

In closing, I also wish to commend the TTCSI for hosting this week's National Services Week, and I look forward to partnering with you on

other initiatives geared towards building entrepreneurship, the SME sector, innovation, and economic transformation.

Ladies and gentlemen, I thank you.