



Government of the Republic of Trinidad and Tobago

**MINISTRY OF FINANCE**

ADDRESS BY

***Senator The Honourable Allyson West,  
Minister in the Ministry of Finance***

At The

**9<sup>th</sup> ANNUAL BUSINESS DEVELOPMENT SEMINAR –  
The Role Of Entrepreneurship And Trade In Economic Development:  
With Reference To Entrepreneurial Financing**

**TUESDAY APRIL 9<sup>th</sup>, 2019**

**University of the Southern Caribbean,  
Maracas, St. Joseph**

## **Salutations**

- Ms. Frances Seignoret, Permanent Secretary (Ag.), Ministry of Trade and Industry
- Ms. Susan Shurland, Deputy Permanent Secretary, Ministry of Community Development, Culture and the Arts
- Dr. Kern Tobias, President, Caribbean Union Conference of SDA and Chairman of the Board of Trustees, University of the Southern Caribbean
- Dr. Hilary Bowman, President, University of the Southern Caribbean
- Mr. Gabriel Faria, CEO Trinidad and Tobago Chamber of Industry and Commerce
- Mr. Albert Chow, CEO, National Entrepreneurship Development Company Ltd.
- Board of Trustees, Members of the Administration, University of the Southern Caribbean
- Representatives from the Caribbean Union Conference and South Caribbean Conference of SDA
- Specially invited guests
- Members of the Media
- Ladies and Gentlemen

Good morning.

It is indeed an honour to be here at the 9th Annual Business Development Seminar of the University of the Southern Caribbean focused on **“The Role of Entrepreneurship and Trade in Economic Development with specific reference to Entrepreneurial Financing”** and I wish to thank the University for its invitation.

Before I address the subject matter, it would be remiss of me not to contextualize the broad macro-economic environment in which entrepreneurs and other stakeholders are operating, as this would necessarily impact the business environment.

We are all aware of the collapse in commodity prices that began in 2014 and which continues to impact all economic sectors. In 2014 oil revenue contributed almost 30 percent of total revenue and by 2016 the contribution was **2.3 percent**. The weakening economic framework caused GDP to decelerate and we witnessed spiraling deficits which this Government has brought under control.

This was not an easy exercise.

We had to adapt and make tough economic decisions in the best interest of the nation and we continue to do so.

It must be noted that even with an outlook that is better than that which existed in 2015 and given recent market events, it is unlikely that our revenues will return to the peaks of 2011 to 2014.

It cannot be understated that even in these challenging economic times this Government has placed the economy on a growth trajectory.

In fact ladies and gentlemen, according to the 2018 Review of the Economy this country's GDP grew by 1.9% which is no small testament to the efforts of this Government. Along with this, employment is stable at 4.8% at last reported figures. In February 2019 headline inflation remains low at 1.2% year on year, the

result of a combination of monetary policy, demand conditions and low imported inflation.

It is also important to note that in its March 2019 Monetary Policy Announcement the Central Bank of Trinidad and Tobago maintained the Repo rate at 5 per cent. As you may know trends in the repo rate act as a broad benchmark for other trends in interest rates including lending rates that can potentially affect the entrepreneur's cost of borrowing.

Entrepreneurs worldwide are challenged with high borrowing costs as the success of their business ventures remain untested and lenders apply exorbitant rates to account for the risk. This is primarily why a lot of entrepreneurs never take off – commercial financing is just too costly.

The expanding and integral role of entrepreneurship and trade in the economic development of a country has been widely espoused in the recent past. Commendations to the University of the Southern Caribbean for its commitment to fostering the

edification and growth of entrepreneurs and for hosting for the ninth year, its Annual Business Development Seminar.

The benefits of small and medium-sized enterprises (SMEs) and entrepreneurs cannot be overstated. According to the Ministry of Labour and Small Enterprise Development's Micro and Small Development Policy, 2014, it was estimated that micro and small businesses account for 90% of all registered businesses in Trinidad and Tobago. The SME sector positively impacts employment rates, poverty reduction and the Government's strategy for the diversification of the economy in the non-energy sector.

The drastic decline in oil prices in 2014, further underscored the need for Trinidad and Tobago to become a diverse economy, that is innovative and competitive with an environment that encourages businesses and entrepreneurs to succeed and to become more competitive both locally and internationally.

As such, the Government has examined successful global best practice initiatives with a view to facilitating the development of small businesses and entrepreneurs and is committed to supporting this sector on seven (7) platforms:

- Institutional strengthening
- Enhanced legislation
- A new and enhanced suite of tax and other incentives
- More in-depth small business training
- Expanded and customized funding facilities
- The establishment of new business clusters
- Actualizing the “fair share” programme.

It is well-known that entrepreneurs experience a number of challenges, namely a lack of access to affordable finance, markets, information to support operations, training and advanced technology.

The Government, cognizant of the challenges faced by SMEs, has further reinforced its commitment in its Vision 2030 National Development Strategy, under the theme “Building Globally

Competitive Businesses” with the goal to create a business environment that is conducive to entrepreneurship and attractive to both local and foreign investors.

This goal is being realized through a number of programmes and a regime of fiscal incentives and preferential tax rates to encourage the development of small businesses and trade, specifically exports.

In keeping with the theme of today’s seminar and the emphasis on entrepreneurial financing let us take a closer look at one of the major challenges – lack of access to affordable finance and the solutions in place to address it.

Many SMEs and entrepreneurs operate informally and as such experience difficulty in securing adequate financing to fund and expand their operations from commercial lending agencies and investors, due to the high risks of failure associated with new ventures and inexperience.



Consequently, financing for SMEs and entrepreneurs is usually obtained via informal lending networks such as friends, family and personal savings. In order to provide the necessary financial support to this sector, the Government through its various Ministries and agencies has made available to entrepreneurs a number of programmes, incentives and loan facilities, some of which I will highlight.

### **The Ministry of Trade and Industry, ExporTT**

- The Grant Fund Facility (GFF) administered by ExporTT is intended to assist export-oriented small and medium-sized local manufacturers and agro-processors who have been in operation for at least two (2) years, with the acquisition of machinery and equipment. Grants are given to beneficiaries to finance 50% of the cost of machinery and equipment up to a maximum of \$250,000.
- Another source of financing is the Research and Development Facility (RDF) which is offered to businesses in the non-energy manufacturing and services sector with

new and advanced technology and innovative projects that have high export potential. Projects are funded in three (3) phases, feasibility, product or service development and commercialization, up to a limit of \$1 million per beneficiary.

### **The Ministry of Labour and Small Enterprise Development, NEDCO**

- In addition to the options for grant funding identified, entrepreneurs and SMEs can also source loan financing from the National Entrepreneurship Development Company Limited (NEDCO) with limits up to \$250,000 for first-time borrowers, and up to \$500,000 for second-time borrowers.

### **The Ministry of Finance**

- Increase in the Personal Allowance for Individuals from \$60,000 to \$72,000 per annum. This means that sole traders making net income of \$72,000 per year or less are now exempted from income taxes.

- Increase in the VAT threshold from \$360,000 to \$500,000 so that businesses with an annual income of less than \$500,000 are not required to register and account for VAT.
- The Ministry of Finance is currently in the process of procuring a service provider to implement the new Business Development Incentive Programme which is intended to assist at least 500 SMEs by providing working capital and/or seed capital through grant funding in the amount of \$100,000, both to start-ups and existing SMEs.

There are a slew of tax incentives provided to various categories of entrepreneurs to encourage business development and growth in various areas including:-

- Promotional allowance of 150% of expenses incurred in developing foreign, non-CARICOM markets
- Exemption of interest on loans made by financial institutions (FIs) to small businesses, hotels and agricultural operations. This is to encourage FIs to lend to such businesses and to

pass on their tax savings in the form of lower interest rates. However, this has not proven to be a very effective incentive.

- HR development allowance for staff training
- Initial allowance on plant and machinery – this allows for the full right off of the cost of acquisition of plant and machinery in the year that it is put into use in the business
- Agriculture incentive programme – grants of up to \$100,000 for use in agricultural endeavors
- Housing incentive programme – grants of up to \$100,000 on each housing unit constructed and contributed to the housing stock of the HDC. The grant is received by the builder in addition to the purchase price of the house

Ladies and gentlemen, these policies that I have outlined, in no uncertain way demonstrate that this Government remains cognizant of the importance of the entrepreneurial sector and the concomitant challenges.

While some strides have been made towards the development of this sector, I hope to see greater private sector involvement and a

growth in angel investments. Initiatives like Planting Seeds should be acknowledged as they help to foster the type of collaborative environment needed for entrepreneurs to obtain much needed financing to start new businesses, scale up their operations and maximize their export potential. The Government will continue to seek avenues in which we can provide the required enabling environment and facilitate the expansion of the SME sector.

The Government of the Republic of Trinidad and Tobago (GORTT) can only do so much – the private sector needs to step up and support entrepreneurs as well. However, we must recognise that the traditional FIs are about making profits for their shareholders by, among other things, minimizing risks. As such not a large percentage of their portfolios will be allocated to budding entrepreneurs.

I see the opportunity for credit unions to step in and fill the gap left by the banks and to this end we have been meeting with them to come to a landing regarding better regulation of that sector to

facilitate their strengthening and growth. So I would recommend that when you are considering financing, apart from exploring the opportunities created by GORTT, bear in mind that credit unions may be a source to consider apart from the traditional institutions.

However, entrepreneurs need to recognize that a significant part of the challenges they face in securing financing falls squarely on their shoulders. Even if one has the most promising business idea, unless that is married with business acumen, and supported by a proper business plan backed by data and accurate financial records, it would be difficult to secure the financing to convert that idea into a successful business. So I urge you to develop your skills in those areas, reach out to persons who have the relevant expertise and at least know enough to distinguish between when you are getting sound business advice and when you are being led down a garden path.

I would like to conclude with a quote from Mike Malone, founder of the new online professional photo framing service -Livestock Framing. This quote is germane to the entrepreneurial sector:

"One must **possess grit**. The stakes tend to be high, the bumps in the road frequent. Remaining focused, regardless of the obstacles, is paramount. That said, being an entrepreneur means being in full control of your destiny. If that's important to you, then all of the challenges associated with striking out on one's own are but a small price to pay."

Ladies and Gentlemen, I thank you.