



Government of the Republic of Trinidad and Tobago  
Ministry of Finance

**Launch of the SME Mentorship Programme and SME Market**

Presented by the Honourable Colm Imbert, MP, Minister of Finance

at the Hyatt Regency Hotel, Port of Spain, Trinidad

Tuesday 25, October 2022

Good morning.

- Minister of Labour, The Honourable Stephen Mc Clashie,
  - Minister of Trade and Industry, Senator the Honourable Paula Gopee-Scoon
  - Mr. Ian Narine Chairman, Trinidad and Tobago Stock Exchange
  - Deputy Governor, Monetary Operations and Policy, Central Bank of Trinidad and Tobago, Dr. Dorian Noel
  - Chief Executive Officer, Trinidad and Tobago Stock Exchange, Ms. Eva Mitchell
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Ladies and Gentlemen, I thank you for your attendance at the ***Launch of the Small and Medium Enterprises (SME) Mentorship Programme and SME Market Place*** to be administered by the Trinidad and Tobago Stock Exchange.

This strategic intervention is timely as just last week the Stock Exchange commemorated its 40<sup>th</sup> anniversary and it would be remiss of me not to highlight some of the key developments of the Exchange which was initiated through the proclamation of the Securities Act in October 1981.

Some of these key developments include:

1992

The local second tier market was introduced.

1994

The TTSE entered into an agreement with the exchanges of Jamaica, Barbados and Dominican Republic for the harmonization of the regional capital markets. This project, funded by the Inter-American Development Bank was established to improve the regulation, trading and clearance/settlement procedures in the region.

2003

Establishment of the Trinidad & Tobago Central Depository (TTCD).

2008

The largest ever transaction thus far on the TTSE and in the English Speaking Caribbean Exchanges, the RBTT share transfer valued at US\$2.2 billion was put through the market.

2018

The market witnessed the largest-ever IPO with a corporate bond offering of \$4 Billion from the **National Investment Fund Holding Company Limited (NIFHCL)**. This issue was oversubscribed by 82% as a wide cross-section of investors displayed their confidence in the local securities market.

And

The TTSE and its subsidiary marked the highest Net Profit after Tax (NPAT) in history.

Ladies and Gentlemen, the Government continues to recognize the important role the Stock Exchange plays in its contribution to the Small and Medium Enterprises sector to promote and diversify economic growth and employment.

The Government has also recognized that this sector has inherent challenges, primarily in the area of acquiring financing due to a lack of proper and up-to-date documentation, poor debt repayment records, non-adherence to statutory obligations and an inability to meet corporate governance standards. These factors lead to higher financing rates and a natural adverse impact on the profit position of the business. Some SMEs are unable to access any financing at all and thus unable to grow and develop their businesses.

In addition to limited access to finance, SMEs face numerous challenges such as regulatory hurdles, HR and IR issues and workforce gaps.

Further, commercial banks are generally conservative and accordingly, an alternative source of funding to loan financing is equity funding through public offerings or share issues on our stock market.

In fact, according to the World Bank (2011) Enterprises Surveys<sup>1</sup>, access to finance represented the fourth largest obstacle faced by domestic SMEs, as

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<sup>1</sup> Estimates in this analysis are calculated as a weighted average of the small and medium enterprises survey responses in the World Bank (2011) Enterprise Surveys - <https://www.enterprisesurveys.org/en/enterprisesurveys> Date accessed August 18, 2022.

14 per cent indicated this factor as a major constraint, with 28 per cent of SMEs examined in that survey identifying access to finance as an issue.

Further, 65. per cent of SMEs reported that investments are largely financed internally. However, although in the initial stages of entrepreneurship, businesses usually rely on internal funds, eventually, in order to grow, small business expansion must be funded from external sources, primarily banks and other lending institutions.

In 2012 the Government announced its intention to work with the Trinidad and Tobago Stock Exchange (TTSE) to create a third tier on the Exchange to provide SMEs with access to the capital market. However, since that initiative, only two companies have been listed, which are CinemaONE Limited<sup>2</sup>, listed on November 21, 2018, at a price of \$10 and Endeavour Holdings Limited<sup>3</sup> subsequently listed on December 12, 2019, at a price of \$12.50, with generally underwhelming market responses. The market capitalization of these two companies in September 2022 was approximately TT\$270 million, which represents less than 0.2% of the overall market cap of the TTSE.

Similar to the Jamaica Stock Exchange, eligibility to list on the TTSE SME market depends on several conditions, with approval at the discretion of the TTSE. The company must be incorporated with limited liability in Trinidad and Tobago or any other CARICOM nation. In making a decision to approve

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<sup>2</sup> CinemaONE-Prospectus - <http://cinemaonett.com/wp-content/uploads/2018/09/CinemaONE-Prospectus.pdf> - Date accessed August 18, 2022.

<sup>3</sup> Endeavour Holdings Limited - Initial Public Offering Prospectus - <https://wiseequities.com/pdf/announcements/Endeavour%20Holdings%20Limited%20-%20Initial%20Public%20Offering%20Prospectus%20dated%20September%2030th,%202019.pdf> – Date accessed August 18, 2022

an SME for listing, the TTSE considers the nature of the business, its financial performance, regulatory history, past governance activities, and historical records.

The current incentives to list on the SME market are in the form of Government approved tax incentives that became applicable in **January 2022**, as part of the Ministry of Finance's thrust to assist SMEs to grow and expand.

These incentives include:

- A full tax holiday for the first five years (exemption from the payment of Corporation Tax, Business Levy and Green Fund Levy); and
- A fifty percent (50%) reduction in taxes for the second five-year period (Corporation Tax, Business Levy and Green Fund Levy).

Ladies and Gentlemen, the global pandemic (COVID-19) affected SMEs significantly and the Government, recognizing this impact on SMEs, developed a comprehensive suite of incentives to support and stabilize the sector. This is because we understand the role SMEs play in employment, economic activity and liquidity for the local economy. Included in this support were tax incentives previously mentioned. These fiscal incentives were broad, supporting not just traditional businesses but digitally created, online companies, as we were mindful that we had to adapt to the times to stabilize the economy and build resiliency.

In this context, the Government established the 1<sup>st</sup> Phase \$300 million SME Loan Guarantee Facility in March 2020 to assist SMEs in the wake of the global pandemic and Phase 2 of the SME Loan Guarantee Programme was refined in 2021 at the request of the SME sector who experienced difficulty in accessing loans under Phase 1. This 100% Government guaranteed loan facility was finalised in September 2021 at a value of \$196 Million. This facility was made available to SMEs to provide them with the resources to monetize and restart their businesses.

### **Other SME Initiatives**

Ladies and Gentlemen, over the years, SMEs have been sustaining livelihoods, especially among women, youth, and groups in vulnerable situations. We are now focused on lowering and eliminating barriers faced by these enterprises. As such, there is a range of ways in which this government has provided support to SMEs by way of training, incentives and funding, especially at the micro-level. The National Entrepreneurial Development Company (NEDCO), for example, provides training programmes that range from starting and registering a business, to financing and expanding it and there are workshops dedicated to training Small and Micro entrepreneurs in improving their entrepreneurial skills every month. Recently NEDCO conducted workshops on transforming businesses in a new digital environment and regular business advisory group sessions. NEDCO provides support for every step of the entrepreneurial journey every month. Micro-enterprise owners can access these programmes, free of charge, as a sort of informal business school to retool themselves.

NEDCO also provides grants to micro-enterprises and since the arrival of the Covid-19 pandemic has so far assisted these small businesses with over \$M in grants.

You see, to become a small business unless you have extraordinary access to capital, you must first be a micro business, so as a Government, we are providing assistance at all levels, especially the base level. Small business then grow into medium sized businesses, which is what the Junior Stock Exchange is essentially designed for.

Coupled with this focus on training and resource development are a range of tax exemptions and tax incentives for farmers, agro-processors and manufacturers. New businesses can enjoy tax holidays and waivers on equipment, depending on the sector. Providers of digital and technical services have a 50% tax exemption. Small business owners and maxi and taxi drivers have access to a CNG loan for conversions in our new fuel-efficient environment. And these are just initiatives from the last two years. Indeed, if I listed all the initiatives from the last 7 years we would be here all morning.

I spoke about the Covid-19 SME guaranteed loan facility earlier, and recognizing that that facility was designed specifically to deal with the unforeseen economic impact of a global pandemic, we are now moving to a permanent guaranteed loan facility.

In partnership with commercial banks, we are introducing a new long-term guaranteed loan facility. We are providing collateral funding in the amount of



\$500 million to back up a new Long-Term Loan Guarantee Scheme for Small and Medium enterprises. First Citizens Bank will manage this project in collaboration with other commercial banks. The Government loan guarantees will be for up to 80 percent of the value of the loans, for a term of up to 10 years, inclusive of a 2-year moratorium on repayments and will focus on the non-energy sector. To ensure that SMEs have skin in the game and thus an interest in repaying these guaranteed loans, SMEs will be required to put up 20% of the required security.

We are targeting **the end of November 2022** for the launch and operationalization of this new loan facility.

Other support to small and medium enterprises will be provided by the Ministry of Trade and Industry through several facilities:

- *Gateway to Trade Programme* - spearheaded by the Ministry of Trade and Industry in collaboration with the Trinidad and Tobago Coalition of Services Industries, targeting 4 service sectors: business and professional services; information and communication technology; energy services and tourism;
- *the Export Booster Initiative* - in collaboration with the Trinidad and Tobago Manufacturers Association with the aim of enhancing market access for small and medium enterprises; and
- *the Grant Fund Facility* to be administered by ExporTT.

## **SME Mentorship Programme**

It is noteworthy that Jamaica has been very successful with its Junior Stock Exchange. Where we have just two (2) companies on the SME Tier of our market, both of which have struggled in recent times, Jamaica has forty-six (46) active companies listed on its Junior Market.

So, we decided to see what was different in Jamaica that we could incorporate here. The key difference was the presence of Mentors.

In Jamaica, by strategically developing their competencies, and acting as a compliance advisor, Mentors directly contribute to a company's growth, innovation, and overall strategy, thus improving customer and investor confidence in the company.

These Mentors are expected to act with due skill and care and be responsible for advising the Board of the Junior Market Company on the establishment of adequate procedures, systems and controls, in order to comply with good standards of corporate governance, including:

- the holding of regular Board meetings
- the establishment of appropriate committees of the Board including an Audit Committee and a Compensation Committee
- the carrying out of appropriate due diligence before it enters into any material transaction

- good fiscal discipline, such as the keeping of proper accounts and records
- good human resource and industrial relations practices
- compliance with statutory obligations

Complementary to the tax incentives and to ease the operational burden of listing, the Government in collaboration with the Central Bank and the Stock Exchange has thus designed a similar Mentorship Programme that would provide the necessary support to the SMEs and close the gaps of insufficient documentation, as well as ensure adherence to compliance and corporate governance standards.

Proposed SME Mentorship Rules were thus published by the TTSE in June 2022 and approved by the Securities and Exchange Commission in August 2022.

This SME Mentorship Programme demonstrates the willingness of the TTSE to work with the Government to invest the time and resources necessary to assist companies to operate efficiently on the stock market.

### **SME Market Place**

Furthermore, with the operationalization of the SME Mentorship Programme, the Government aims to integrate the other support services provided to SMEs by government agencies in an effort to promote a stable and accessible environment for the growth of SMEs.

To this end, a single entry portal – SME Market Place was developed on the Ministry of Finance website which will provide access to information on the SME Market and procedure for listing on the Stock Exchange; the SME Mentorship Programme inclusive of the criteria required to become a Mentor and the application process; as well as, provide access to other support services offered by government agencies.

The portal will also provide 24/7 online access, connecting SMEs with business support products and services currently offered by various public and private sector entities. Aside from the 24-hour access, the portal will provide public and private entities with the opportunity to engage new SME clients.

The overall objective of the Government is to create an environment via various programmes, *inter alia*, to grow and expand the SME sector by:

- increasing access to traditional and new export markets;
- enhancing the capacity and competitiveness of firms in the non-energy manufacturing sector;
- attracting investors through the creation of new economic spaces and the development of a modern regulatory framework;
- continuing to facilitate improvements on the ease of doing business in Trinidad and Tobago; and

- promoting a dedicated digital transformation regarding e-commerce to increase the participation of Micro, Small & Medium Enterprises (MSMEs) and female entrepreneurs in the economy.

The entire suite of programmes geared towards the SME sector will strengthen its governance structure, sharpen its competitiveness, and continue to contribute to the expansion of the non-energy sector.

I believe that a strong focus on SMEs' strategic objectives will aid in more engagement, compliance and operational effectiveness and efficiency for the overall benefit of the economy of Trinidad and Tobago.

Ladies and Gentlemen, I thank you.