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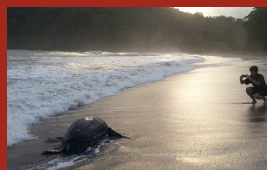
Caribbean Natural Resources Institute

Technical Report

No. 405



Enhancing financing for Local Green-blue Enterprises in Trinidad and Tobago: Challenges and opportunities



Enhancing financing for Local Green-blue Enterprises in Trinidad and Tobago: Challenges and opportunities



Caribbean Natural Resources Institute (CANARI)

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Under the project, Finance Watch developed an analytical framework to conduct a Contextual Financial Analysis (CFA) to analyse the financial landscape and identify key laws, policies, regulations, practices, stakeholders and initiatives relevant to financing and support of local green-blue enterprises.

This report was developed based on a study conducted by Denis Mitchell, using the CFA analytical framework. Support for the study was provided by Akosua Edwards, Liza Yunis and Nicole Leotaud.

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Acronyms

ADB	Agricultural Development Bank
AMCHAMTT	American Chamber of Commerce of Trinidad and Tobago
BDS	Business Development Services
CANARI	Caribbean Natural Resources Institute
CariCRIS	Caribbean Information and Credit Rating Services
CARIRI	Caribbean Industrial Research Institute
CBTT	Central Bank of Trinidad and Tobago
CEC	Certificate of Environmental Clearance
CFA	Contextual Financial Analysis
CSO	Civil Society Organisation
GEC	Green Economy Coalition
GDP	Gross Domestic Product
GNI	Gross National Income
ECLAC	Economic Commission for Latin America and the Caribbean
EIA	Environmental Impact Assessment
EMA	Environmental Management Authority
ESG	Environmental, Social and Governance
FAO	Food and Agriculture Organization
FIA	Financial Institutions Act
FIDA	Financial Inclusion Development Agency
FinTech	Financial Technology
FIUTT	Financial Intelligence Unit of Trinidad and Tobago
GIF	Green Infrastructure Fund
GORTT	Government of the Republic of Trinidad and Tobago
IASB	International Accounting Standards Board
ICATT	The Institute of Chartered Accountants of Trinidad and Tobago
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IOM	International Organisation for Migration
LEDPAC	Local Economic Development Planning and Advisory Committee
LEND	The Loan for Enterprise and Network Development Agency
LGEs	Local Green-blue Enterprises
MFI	Microfinance Institution
MIPED	Mayaro Initiative for Private Enterprise Development
MOLSMED	Ministry of Labour and Small and Micro Enterprise Development
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
NAMDEVCO	National Agricultural Marketing and Development Corporation
NDS	National Development Strategy
NEDCO	National Entrepreneurship Development Company Limited

Acronyms *(continued)*

NEP	National Environmental Policy
OSHA	Occupational Safety and Health Agency
PAHO	Pan American Health Organization
PIE	Public Interest Entity
PPP	Purchasing Power Parity
SDGs	Sustainable Development Goals
SIFI	Systemically Important Financial Institution
SMEs	Small and Medium-sized Enterprises
SRI	Socially Responsible Investment
TTIFC	Trinidad and Tobago International Financial Centre Management Co. Ltd.
TTSEC	Trinidad and Tobago Securities and Exchange Commission
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
UTT	University of Trinidad and Tobago
UWI	University of the West Indies
WFP	World Food Programme
YBTT	Youth Business Trinidad and Tobago
YTEPP	The Youth Training and Employment Partnership Programme

Executive Summary

Local Green-Blue Enterprises (LGEs) are micro, small and medium-sized enterprises (MSMEs) that have a potential positive effect on the global or local environment, community, society, or economy and are businesses that strive to meet triple-bottom line returns (economic, environmental and social). LGEs consist of informal and formal MSMEs and social enterprises that use green business models, develop green products or green their business practices. LGEs deliver 'triple-bottom line' economic, social and environmental benefits to rural communities in the Caribbean, where many are directly based on the use of nature. LGEs are ideal to drive inclusive and resilient green-blue economic transformation.

However, financing and other support to this important sector is limited. The Green Economy Coalition (GEC), in collaboration with Finance Watch and other members, undertook a global project "Civil society participation for sustainable finance reforms: global coverage" funded by the European Union (DCI/ENV/2020/417-985) to

address this need. The Caribbean Natural Resources Institute (CANARI) implemented the project in Trinidad and Tobago, with other GEC partners implementing the project in India, Mongolia, Peru, South Africa, Senegal and Uganda.

This report summarises key findings of the Contextual Financial Analysis (CFA) of LGEs in Trinidad and Tobago, which assessed the financial landscape and identified key laws, policies, regulations, practices, stakeholders and initiatives relevant to financing and support of LGEs. The CFA was developed via desk review, interviews and focus groups with key stakeholders. It provides the foundation for stakeholders to identify signature issues facing LGEs in Trinidad and Tobago.

The CFA study revealed the following key signature issues facing LGEs:

LGEs sector

1. A formal definition of LGEs in Trinidad and Tobago and accessible information and knowledge-sharing mechanisms on the sector are needed to support and encourage more attention to LGEs.
2. A special legal status for social and green enterprises is needed, which could support certification schemes and incentives and ensure that reporting requirements are appropriate.
3. Networks and associations of LGEs need to be developed and strengthened to facilitate knowledge sharing, collaboration to access markets, collective policy advocacy, etc.
4. Strengthening LGEs' market access is needed, both in terms of traditional markets and specialised niche markets.

Policy and strategy

5. A coherent and strong policy framework to support LGEs needs to be developed to rationalise and leverage existing policies, grounded in adoption of a specific MSME and/or LGE policy, which includes focus on the informal economy. Policy development needs to engage LGEs and other key stakeholders.



Local produce subscription boxes are part of the Community Supported Agriculture programme at the Green Market Santa Cruz, Trinidad.

Credit: Green Market Santa Cruz.

6. Implementation of existing policies needs to be supported by concrete implementation plans, budget allocations and systematic evaluation of policy implementation.
7. A 'Master Plan' or a national vision for the LGE sector is needed to allow for prioritisation and to guide effective use of resources in implementation across sectors and consecutive administrations, including as part of economic recovery to the impacts of the COVID-19 pandemic.

Business development services (BDS)

8. Existing BDS agencies and incubator programmes need to be reformed to better serve LGEs, especially in rural areas. Comprehensive 'one stop shop' financial, legal, advisory and capacity-building services are needed to address the needs typical to all MSMEs, as well as the unique challenges of the LGEs sector. Services need to build internal capacity of LGEs as well as support them to operate in the face of policies and regulations, which are crippling their ability to function effectively.

Access to financing

9. Traditional commercial financing services need to build their capacity to better provide for LGEs, which generally are excluded from accessing services due to their low capacity and business readiness, as well as the specialised nature of their businesses not being well understood.
10. Existing national policies and government and private sector financial services programmes, particularly by the retail and commercial banking sector, need to be revised to better enable financing of the LGE sector. Expansion of the use of credit rating for this sector is needed. Regulations are needed to promote financial inclusion.
11. Collateral requirements need to be made more appropriate to the LGE sector.
12. Financial products need to be tailored to fit the needs of the LGE sector and additional products explored, including concessional and senior loans, mezzanine debt, equity and quasi-equity loans, credit guarantees and insurance, and angel investing. Grant programmes need to be tailored to better support the LGE sector.



Salybia River kayak services are offered by Nature Seekers in Matura, Trinidad. Credit: CANARI.

13. The policy and regulatory framework needs to be reformed to better support financial inclusion, including via financial literacy and capacity building programmes as well as tailored financial products.
14. Strengthening of the legal framework is needed to support mobile banking and digital financial services to better serve LGEs, many of whom are rural or otherwise have limited access.

These issues need to be further explored and addressed through changes to policy and practice in Trinidad and Tobago. This needs to be a collaborative effort, engaging key government agencies with mandates to support entrepreneurship and sustainable development, corporate and civil society partners already supporting LGEs, financing and business support providers and LGEs themselves. These stakeholders need to work across sectors to co-create the solutions which will provide a pathway for LGEs to contribute to more environmentally sustainable, inclusive and climate-resilient economic development in Trinidad and Tobago.

1. Introduction

1.1 Green-blue economy context in Trinidad and Tobago

Economic inclusion, environmental sustainability and climate resilience are key elements of a green- blue economy and must be front and centre in Caribbean development. Providing economic opportunities is key to address poverty, inequalities and injustice across the Caribbean. Environmentally sustainable and climate-resilient economic development is particularly important in the Caribbean where many islands rely on agriculture and tourism to drive their economies. These sectors are heavily dependent on natural resources and the ecosystem goods and services that they provide but they are already being impacted by unsustainable resource extraction and environmental degradation due to human activities (e.g., from pollution and poorly-regulated physical development). Impacts of climate change will further stress these sectors.

But in Trinidad and Tobago, there is as yet no real focus on transformation of the economic development model. The twin island nation is classified as a high-income economy by the World Bank. With a population of almost 1.4 million people living in an area of only 5,131 square kilometres, it is one of the richest countries in the Caribbean. Its

Box 1: Caribbean definition of a green- blue economy

A Green(-blue) Economy is one that aims for long-term prosperity, rather than solely for growth, through equitable distribution of economic benefits and effective management of ecological resources. It is economically viable and resilient to both external and internal shocks; self-directed and not driven by external agendas or funding opportunities and self-reliant by being based predominantly on domestic production and investment. A Caribbean Green(-blue) Economy is pro-poor and generates decent jobs and working conditions that offer opportunities for self-advancement for local people.

Source: CANARI 2012



A guest at Mt. Plaisir Estate Hotel taking photos of a Leatherback turtle on Grande Riviere beach. Credit: Mt. Plaisir Estate Hotel

economy is driven by the petroleum sector, which was responsible for 34% of Gross Domestic Product (GDP) in 2019. Other sectors such as manufacturing, construction, agriculture, finance and tourism are expanding as the country tries to diversify its economy (GORTT, 2020). The COVID-19 pandemic negatively impacted the economy, with global developments impacting the energy sector and restrictions holding back activity in the non-energy sectors. This resulted in an overall reduction in GDP by -7.832% in 2020 (The World Bank Group, 2021a). While some recovery is expected in 2021, the economic outlook continues to be grim. Table 1 highlights the main macroeconomic indicators for Trinidad and Tobago.

Trinidad and Tobago has a National Development Strategy (NDS) 2016–2030, also known as Vision 2030, which is aligned with the United Nations Sustainable Development Goals (GORTT, 2016). Themes 1 (Putting People First) and 5 (Placing the Environment at the Centre of Social and Economic Development) are relevant to green-blue economy issues. However, this plan lacks detailed commitments and mechanisms for implementation. The Green Economy Tracker for Trinidad and Tobago (GEC, 2019) is an attempt to track the country's progress towards a green-blue economy in terms of governance, finance,

Table 1: Main macroeconomic indicators for Trinidad and Tobago

Indicator	Trinidad and Tobago data	Source
Gross Domestic Product (GDP)	US\$21.53 billion (2020)	IMF, 2021
GDP (PPP)	US\$35.03 billion (2020)	IMF, 2021
GDP/capita (PPP)	US\$25.03 billion (2020)	IMF, 2021
GNI per capita	US\$24,800 (2020)	The World Bank Group, 2021b
Public and private debt/GDP	Public Sector debt (% of GDP) 80.9% (2020) Outstanding International private debt securities to GDP 11.68% (2017)	CBTT, 2021a Trading Economics, 2021a
Interest payments-to-revenue	10.01% (2018)	Trading Economics, 2021a
FX debt as % of total stock of debt	No data found	
Credit ratings	Standard & Poor's Global Ratings (S&P): investment grade BBB-/A-3 Caribbean Information and Credit Rating Services Limited (CariCRIS): regional investment grade CariAA+ and national investment grade ttAAA Moody's Investors Service (Moody's): Investment grade Baa3, Ba2 and Ba1	GORTT, 2021
Country rating history	Moody's, Rating-Ba1, Outlook-Negative 5/2020; Standard & Poor's, Rating-BBB, Outlook-Negative 3/2020	Trading Economics, 2021a
Headline inflation	1.8% (June 2021)	CBTT, 2021a
Inflation PPI	CPI 0.8% (2020) 2017 Q4, 116.98, 2010=100, NSA. Quarterly: Annual avg, 617.9 2000=100	Country Economy, 2021 Moody's Analytics, 2021 Ministry of Planning and Development, 2021a
Trade balance	US\$0.38 billion trade deficit (2020)	Trading Economics, 2021a
GINI	40.30 (1992)	Knoema, n.d.
Output gap/fiscal space estimates:	No data found	
Unemployment rate	5.1% (second quarter of 2020)	CBTT, 2021a
Human Development Index	0.796 (67th ranked in the world) (2019)	UNDP, 2020

sectors, people and nature. This ranks the country against a set of 21 indicators based on examination of written documents. In most areas the scores reflect minimal or low ambition. Notably, this Tracker does not consider whether policies and programmes have been implemented and what results have been achieved.

In practice, there is no real national green-blue economy plan or strategy, nor does one exist for regional political

groupings which Trinidad and Tobago is a member of (e.g., the Caribbean Community [CARICOM]).

There are no platforms or informal networks which promote the green-blue economy, though there may be opportunities via the Couva/Tabaquite/Talparo Regional Corporation and the newly launched Local Economic Development Planning and Advisory Committee (LEDPAC), which has plans for promoting rural economic development driven by tourism (Felmire, 2021). There is

also no classification system of what an environmentally sustainable economic activity is (i.e., what is considered to be 'green'), nor for what an unsustainable economic activity is (i.e., what is considered to be 'brown').

The American Chamber of Commerce of Trinidad and Tobago (AMCHAMTT), in February 2021, published an article entitled "Transition to a Green Economy – Possibilities and Policies in Trade in Goods and Services". It infers that in light of the current COVID-19 crisis, Trinidad and Tobago needs to shift to a green strategy. Despite the numerous policy documents written, the numerous workshops and conferences held over the

years, Trinidad and Tobago has not made the transition into a green-blue economy. The article emphasises the need for the greening of the economy, stating that it "is not solely an eco- or climate strategy but a responsible, future-thinking, risk-relevant sustainable development agenda" (Shah, 2021).

These and other similar calls do not seem to have been heard by the Government of Trinidad and Tobago in its response to the COVID-19 pandemic. The Government produced the national COVID-19 recovery plan, the *Roadmap for Trinidad and Tobago Post COVID-19 pandemic* (Office of the Prime Minister of Trinidad and Tobago, 2020a). This roadmap outlines the steps that will be taken for economic recovery and restoring employment levels. The report makes a few very small references to areas relevant to the green-blue economy, for example in terms of construction regulations, the Green Key initiative in the tourism sector, and "green petrochemicals." Earlier reports (Office of the Prime Minister of Trinidad and Tobago, 2020b) had included a table of contents which pointed to the intention for a stronger focus on green and blue economy as key pillars of economic growth, including green manufacturing, renewable energy, and nature-based solutions for climate resilience. But the final Roadmap produced shows a disappointing lack of vision and clarity on using the opportunity to rethink and transform economic development as part of the efforts to recover from the pandemic. Notably, there was very limited stakeholder consultation in development of this national Roadmap, restricted to a Cabinet-appointed committee of experts who, to their credit, mobilised additional stakeholders within their direct networks to form small sub-committees on economy, environment, etc. who worked virtually to

Box 2: Definition of LGEs

LGEs are micro, small or medium-sized enterprises (MSMEs) that have a potential positive effect on the global or local environment, community, society, or economy and are businesses that strive to meet triple-bottom line returns (economic, environmental and social). LGEs consist of informal and formal MSMEs and social enterprises that use green business models, develop green products or green their business practices.

Source: GEC

develop sub-committee reports, which have not been released to the public.

Overall, the national context in Trinidad and Tobago is weak for the transition to a green-blue economy that is inclusive, environmentally sustainable and climate resilient. Economic decision-making is largely top-down and broader sectoral and social change movements do not seem to yet be influencing national policy.

1.2 Local Green-blue Enterprises as a pathway to an inclusive green-blue economy

The transformation to inclusive, sustainable and resilient economies must focus on MSMEs and especially on Local Green-Blue Enterprises (LGE) as they are a significant part of Caribbean economies. Although data on the LGE sector is lacking, MSMEs overall are seen as the backbone of Caribbean economies, making up between 70-80% of businesses, contributing between 60-70% of Gross Domestic Product (GDP) and accounting for approximately 50% of employment (CDB, 2016). This is a conservative estimate as it does not consider informal enterprises, which in some Caribbean countries have been found to be more than double the number of enterprises in the formal sector. Many MSMEs are in the informal sector, in that these enterprises are not formally registered and do not pay tax, but employ a large percentage of the Caribbean workforce, particularly the poor and vulnerable. LGEs are found in the main economic sectors in the Caribbean (e.g., tourism and agriculture) and are also likely to be significant in rural



Nesting leatherback turtle tours are provided by community enterprises in north-east Trinidad. Credit: Turtle Village Trust.

communities, where many businesses are directly or indirectly based on the use of nature.

LGEs are ideal to drive green-blue economic transformation as they address multiple development priorities including poverty reduction, social development and environmental conservation, especially for rural communities. LGEs are important sources of income for many poor and vulnerable groups and are therefore an important strategy to address social and economic inequities. Green and blue economy initiatives must focus on LGEs to ensure that poor and vulnerable communities are not the 'losers' (Leotaud *et al.* 2021).

LGEs effectively reach economically marginalised groups such as rural communities, women and youth. LGEs are attractive to women because they are able to work around their domestic responsibilities. One study indicated that women are more likely to start or maintain enterprises because of the necessity to provide incomes for their families (Coke-Hamilton, 2014). Youth are drawn to small and micro entrepreneurship because of the opportunity to be independent. Others are forced into entrepreneurship due to limited employment opportunities available.

LGEs also provide social benefits through local employment, are resilient and innovative and can respond quickly to risks and opportunities due to their small size and flexibility. Because of this, LGEs can react immediately to changing environmental conditions, markets and events. They are able to take advantage of opportunities more quickly than their larger counterparts. They also promote innovation and creativity because of their flexibility; they are more willing to try new ideas. Limited access to resources to cushion shocks also necessitates a rapid response by LGEs to economic, social and environmental changes and risks.

LGEs can also encourage stewardship of natural resources upon which local livelihoods depend (CANARI, 2014). LGEs typically have deep connections to their communities, particularly those located in rural communities in the Caribbean. They work closely with the communities they are in through outsourcing of products and services, local employment and use of natural resources. This is often incentive to be good stewards of their communities and provide wider social benefits to their community.

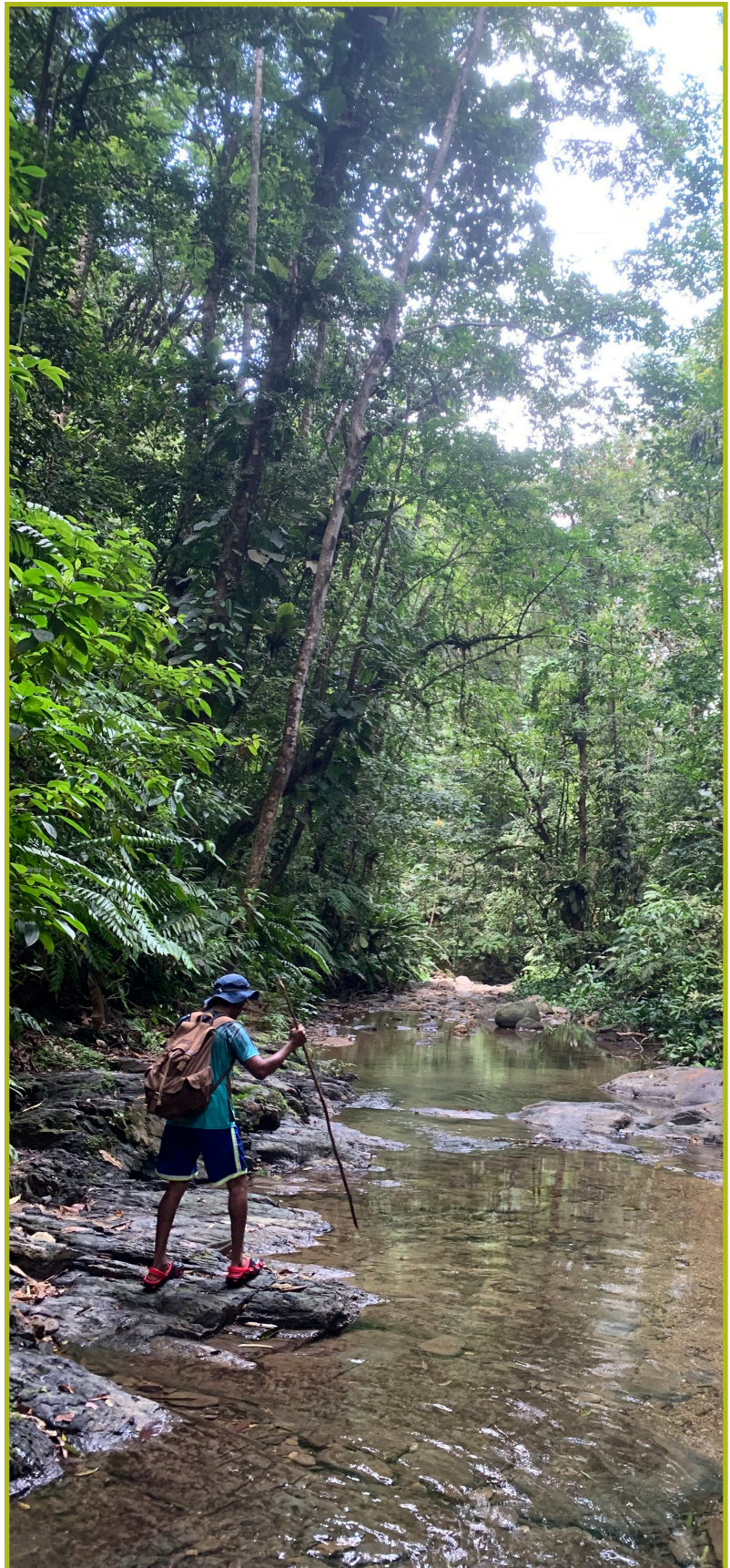
1.3 Purpose of report

Recognising the potential of LGEs to contribute to economic transformation, the priority must be to enhance the enabling environment and support to this sector. A key challenge has long been accessing finance.

To address this need and building on earlier collaborative work, the Caribbean Natural Resources Institute (CANARI) partnered with the Green Economy Coalition (GEC) to implement a global project “Civil society participation for sustainable finance reforms: global coverage” funded by the European Union (DCI/ENV/2020/417-985). CANARI led implementation of the project in Trinidad and Tobago, with other GEC partners implementing the project in India, Mongolia, Peru, South Africa, Senegal and Uganda. Finance Watch was also a project partner.

As part of the project, a Contextual Financial Analysis (CFA) of LGEs in Trinidad and Tobago was conducted to assess the financial landscape and identify key laws, policies, regulations, practices, stakeholders and initiatives relevant to financing and support of LGEs. The CFA was developed via desk review, interviews and focus groups with key stakeholders (see list in Annex 1) and contributes to better understanding of the context, needs and opportunities for enhancing support to LGEs in Trinidad and Tobago. This report summarises key findings of the CFA and provides the foundation for stakeholders to identify signature issues facing LGEs and the changes in policy and practice that are needed to enhance financing and other support to LGEs in Trinidad and Tobago.

Matura Forest, Trinidad is an ideal place to go on an eco-tourism hike. Credit: Nicole Leotaud



2. LGEs in Trinidad and Tobago

2.1 Definition of LGEs in the Trinidad and Tobago context

An agreed formal definition of LGEs is lacking in Trinidad and Tobago.

In terms of defining LGEs as a specific type of MSMEs, the *Draft Micro and Small Enterprise (MSE) Development Policy for Trinidad and Tobago 2013–2016* (Ministry of Labour and Small and Micro Enterprise Development, 2014) noted that, “A green business works to reduce its impact on the environment, society and the economy through such methods as reducing greenhouse gas emissions, reducing waste and reducing the use of harmful chemicals. Green businesses are often characterised by the following:

1. They include environmental criteria in all major business decisions.
2. Whenever possible, they supply environmentally-friendly products or services.
3. The business is clearly concerned about its environmental impact.

4. The business has made a long-term commitment to applying environmental criteria in its daily operations” (p. 7).

The draft Policy noted, “Green enterprises include eco-tourism, resource and environmental conservation, environmental costing/pricing/valuating, renewable energy, agro-tourism, alternative use of organic products and waste, repurposing and recycling of organic and inorganic products and their waste material, where such activities are profitable or can be made profitable with suitable support. Green businesses also include environmental activities linked to the physical, cultural or historic national or regional patrimony” (p. 37).

However, the draft Policy has not been adopted by the Government and no official definition of LGEs exists. Similarly, no definition of MSMEs has been formally adopted in official policy to date. Various definitions have been proposed for the MSME sector in Trinidad and Tobago (see Table 2), with some differences across these definitions.

These definitional gaps are a barrier to building common understanding of the LGE sector in Trinidad and Tobago.

Table 2: **Definition of MSMEs in Trinidad and Tobago**

Source	Ministry of Labour and Small Enterprise Development (2014)	Oxford Business Group (2021a)	The Business Development Company Limited (Joachim, 2006)
Mini-micro enterprise	Comprises of only the owner/ manager and has a turnover of up to TT\$250,000 (US\$36,835)	-	-
Micro enterprise	Has up to 5 employees, including the owner/manager and a turnover of up to TT\$2 million (US\$0.3 million)	-	Has two to five employees and an annual revenue of TT\$10,001-\$25,000 (US\$1,472-\$3,679)
Small enterprise	Has up to 25 employees including the owner/manager and a turnover of up to TT\$10 million (US\$1.5 million)	Has a staff of between six and twenty-five employees and sales of up to TT\$5 million (US\$0.74 million)	Has between 6-25 employees and sales of TT\$25,001-\$1.5 million (US\$3,680-\$0.2 million)
Medium enterprise	-	Has 26-50 employees and sales of up to TT\$10 million (US\$1.5 million)	Has 26-50 employees and sales of TT\$1.5 million-\$5 million (US\$0.2-\$0.7 million)

2.2 The MSME, informal and LGE sectors

2.2.1 MSME sector

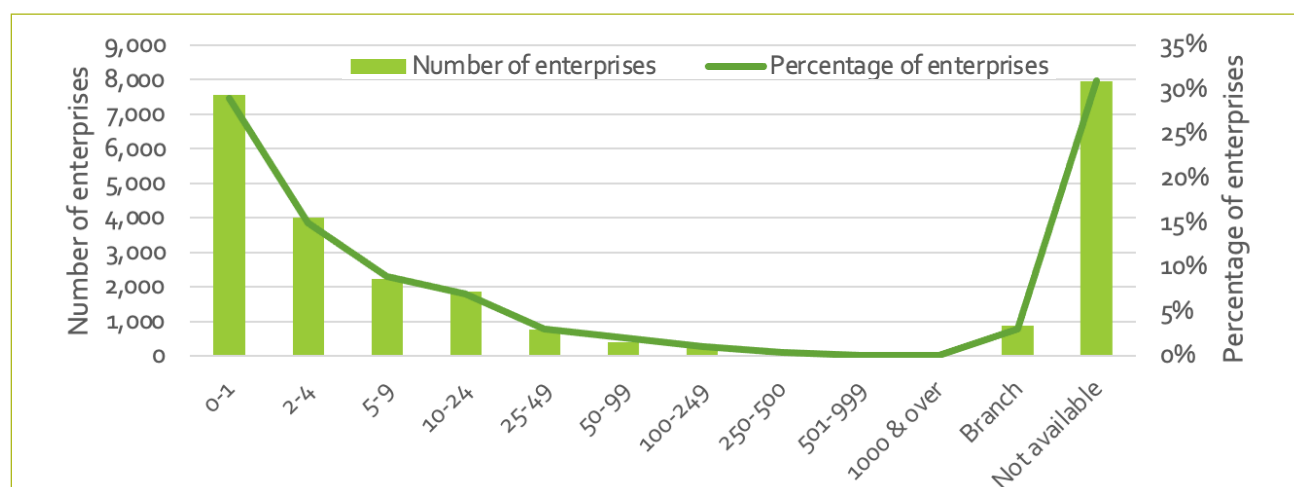
Data from the Business Surveys Establishment Register 2018, published by the Central Statistical Office (Ministry of Planning & Development, 2021b) (see Table 3 and Figure 1), indicates that at least 63% of the enterprises registered were MSMEs (with less than 50 employees).

This does not include enterprises which did not provide data on size, nor the informal sector. The MSMEs in the Register were widely spread across sectors, with 45% reporting that they worked in wholesale and retail trade and repair of motor vehicles and motorcycles, 17% reporting that they worked in accommodation and food service, 6% in construction, 5% in manufacturing, and the remaining 25% across 15 other sectors. This reflects the significance and diversity of the MSME sector in Trinidad and Tobago.

Table 3: **Number of enterprises in Trinidad and Tobago by size category** (Ministry of Planning & Development, 2021b)

Category by number of employees in enterprise	Number of enterprises in category	Percentage of all enterprises
0-1	7,551	29%
2-4	3,997	15%
5-9	2,224	9%
10-24	1,857	7%
25-49	753	3%
50-99	408	2%
100-249	255	1%
250-500	115	0.4%
501-999	37	0.1%
1000 & over	20	0.1%
Branch	870	3%
Not available	7,959	31%
Total	26,046	100%

Figure 1: **Number of enterprises in Trinidad and Tobago by size category** (Ministry of Planning & Development, 2021b)



2.2.2 Informal sector

Data is limited on the current status of the informal economy in Trinidad and Tobago, but previous estimates suggest that informal employment has been increasing. In the early 2000s, the informal economy averaged around 25% of GDP; by 2014, it rose to approximately 28%. An Inter-American Development Bank report estimated the informal sector as being 26-33% of GDP (Peters, 2017).

The COVID-19 pandemic is expected to increase unemployment with the final Roadmap for Trinidad and Tobago Post COVID-19 pandemic report noting the serious risk that over 50% of the small and medium enterprises (SMEs) will not survive the next few months (Office of the Prime Minister of Trinidad and Tobago, 2020a). This did not consider micro-enterprises nor the informal sector. Anecdotal reports in the media suggest that persons who are losing jobs are turning to informal employment, for example, in the agricultural sector as the markets for local produce have grown. COVID-19, therefore, may have resulted in expanded informal employment over 2020 and 2021. The secretary of the Trinidad and Tobago Association of Small and Medium Enterprises, Derick Wattley, highlighted the growth of the informal sector as a result of the ongoing economic crisis caused by the financial difficulties faced by the SME sector due to COVID-19. He suggested that without an urgent government intervention plan, decline in the SME sector will contribute to the inevitable increase in unemployment (Drayton, 2021).

2.2.3 LGE sector

Social entrepreneurs are spearheading the demand for green and social goods and services in Trinidad and Tobago. These organisations are non-profit civil society organisations (CSOs) or for-profit businesses which recognise themselves as 'social enterprises' or 'green enterprises.' However, these terms have no legal recognition and have limited public recognition.

These entrepreneurs are establishing LGEs, for example, through eco-friendly brands in agriculture (e.g., chocolate, coffee, organic produce), beauty products, upcycled and recycled goods, and waste recycling (Tropical Vegan, 2016; Environmental XPRT, n.d.).

The COVID-19 pandemic has triggered shortages of imported fresh produce. This, alongside loss of employment and business income, resulted in new

entrepreneurs entering the LGE sector. This was complemented by a public push to support local businesses. As a result, there was a significant expansion of the local LGE eco-friendly agricultural sector as some entrepreneurs took advantage of existing markets for low- chemical products (e.g., free-range eggs, hydroponic crops).

LGEs in Trinidad and Tobago, like elsewhere in the Caribbean, include businesses which use the rich natural ecosystems of the Caribbean to deliver services (e.g., community ecotourism) or goods (e.g., crafts, jewellery, honey, chocolate, fisheries, mariculture). Many businesses develop a combination of income streams to take advantage of the resources and opportunities in their communities. Yet very limited data is collected on this sector, with its many informal and micro-enterprises, and how it is playing a role in key economic sectors (such as tourism and agriculture) and providing economic opportunities in rural communities.

With no data collected on this specific type of MSME, LGEs are an invisible, but important, part of the Trinidad and Tobago economy.

2.2.4 LGEs associations and networks

LGEs range from individual or family businesses to collective arrangements via associations, community groups and/or cooperatives. There is no known overall business association of LGEs, although there are some specific associations such as the Network of Rural Women' Producers and the Association of Rural Communities in Trinidad and Tobago. In terms of informal networks, information amongst LGEs is shared informally and in an ad hoc manner via social media and word of mouth.

2.2.5 Main stakeholders

Table 4 identifies a cross section of stakeholders from various sectors that are involved in the MSME sector (e.g., government, financial institutions and CSOs). These stakeholders can also potentially support the LGE sector through their various services offered. Although there are many government ministries/departments/agencies mandated to support MSMEs, there is inadequate coordination amongst these organisations. Similarly, there are a wide range of financing institutions that can provide support to MSMEs. However, there is a similar

lack of coordination amongst these institutions, which are also often not adequately equipped to meet the specific

needs of LGEs. Some CSOs are providing support to LGEs but this can be enhanced and more strategically used.

Table 4: Stakeholders that do or can support the LGE sector

Sector	Stakeholders	Roles
Government (ministries, departments and agencies)	Ministry of Youth Development and National Service	As of September 2020, assigned the responsibility of managing the MSME sector, primarily through the aegis of the National Entrepreneurship Development Company Limited (NEDCO) (MYDNS, 2021)
	National Entrepreneurship Development Company Limited (NEDCO), Ministry of Youth Development and National Service	
	Ministry of Labour	Current mandate focuses on the provision of decent work, the facilitation of industrial peace and the provision of employment opportunities through on-the-job training and job placements (Ministry of Labour, 2021)
	Ministry of Trade and Industry	Support e-commerce training of businesses under the National E-Commerce Strategy and provide funding to MSMEs through the Grant Fund Facility (MTI, 2015; 2019)
	Exporthub	
	Office of the Attorney General and Ministry of Legal Affairs	Guide business registration procedures through the Registrar General's Department and develop legislation and regulations, including those that can impact the LGE sector (particularly those related to financing and environmental requirements) (Chambers of the Attorney General, 2020)
	Green Fund Executing Unit, Ministry of Planning and Development	Provides grant funding to CSOs, including community organisations, to support sustainable livelihoods (Vallie, 2020)
	Environmental Policy and Planning Division, Ministry of Planning and Development	Implements environmental policy (EPPD, 2021)
	Town and Country Division, Ministry of Planning and Development	Guides the process for infrastructure planning and provides planning permissions (TCPD, 2021)
	The Environmental Management Authority (EMA), Ministry of Planning and Development	Ensures protection of the environment guided by the Environmental Management Act. Also responsible for conducting Environmental Impact Assessments and granting Certificates of Environmental Clearance (Ministry of the Attorney General and Legal Affairs, 2000)
	Central Statistical Office, Ministry of Planning and Development	Collects national statistics, including on the MSME sector, through the Business Survey Establishment Register (Ministry of Planning and Development, 2021b)

Table 4 (continued): **Stakeholders that do or can support the LGE sector**

Sector	Stakeholders	Roles
	The Caribbean Industrial Research Institute (CARIRI)	Supports capacity building of MSMEs and enterprise creation and development through its incubation process under the Centre for Enterprise Development (Allahar and Brathwaite, 2016)
	Forestry Division, Ministry of Agriculture, Land and Fisheries	Implements forestry policy and supports and regulates forest-based enterprises and businesses impacting on Forest Reserves (Ministry of Agriculture, Land and Fisheries, 2021)
	Fisheries Division, Ministry of Agriculture, Land and Fisheries	Implements fisheries policy and supports and regulates fisheries-based enterprises (Ministry of Agriculture, Land and Fisheries, 2021)
	Agricultural Services Division, Ministry of Agriculture, Land and Fisheries	Implements agricultural policy and supports and regulates agricultural enterprises (Ministry of Agriculture, Land and Fisheries, 2021)
	Environmental Health Division, Ministry of Health	Responsible for controlling and preventing environmental health hazards and recognises role of environmental health in sustainable development (Ministry of Health, n.d.)
	Ministry of Energy and Energy Industries	Supports and regulates energy-based enterprises, including those related to renewable energy and energy efficiency (MEEI, 2021)
	Ministry of Tourism, Culture and the Arts The Tobago House of Assembly	Implements tourism policy and regulates tourism-related enterprises, including enterprises involved in community-based and nature-based tourism (Ministry of Tourism, 2020)
	Trinidad Tourism Limited Tobago Tourism Agency Limited	State enterprises responsible for marketing, attracting investment and promotion of the sector (Ministry of Tourism, 2020)
	Ministry of Finance	Responsible for developing national fiscal and economic policies, including accounting requirements for businesses (Ministry of Finance, n.d.)
	National Training Agency, Ministry of Education	Provides technical and vocational education and training (Ministry of Education, n.d.)
Financial institutions	The Central Bank of Trinidad and Tobago	Guides monetary, credit and exchange policies (CBTT, 2021b)
	Major retail and commercial banks: <ul style="list-style-type: none"> • Bank of Baroda • CIBC First Caribbean International Bank • Citi • First Citizens Bank • JMMB Bank • RBC Royal Bank • Republic Bank • Scotiabank 	Provide commercial financing to enterprises

Table 4 (continued): **Stakeholders that do or can support the LGE sector**

Sector	Stakeholders	Roles
	Agriculture Development Bank	Provides financing to agriculture-based enterprises (ADB, 2018)
	Credit unions	Provide loans to MSMEs
	Caribbean Information and Credit Rating Services Limited (CariCRIS)	Provides assessment of creditworthiness (CariCRIS, 2021)
Civil society organisations (CSOs)	Caribbean Natural Resources Institute (CANARI)	Provides capacity building, technical support and micro-grants to community nature-based enterprises; engages in policy development and advocates for LGEs (Sandy <i>et al.</i> , 2017)
	The Cropper Foundation	Supports community livelihood development (The Cropper Foundation, 2019)
	Youth Business Trinidad and Tobago (YBTT)/Shell LiveWire Programme	Provides business development services and microfinancing to young entrepreneurs involved in energy based/agricultural/tourism/environmental businesses (YBTT, 2021)
Private sector	San Antonio Green Market	Provides a market for LGEs (Green Market Santa Cruz, 2016)
	Trinidad and Tobago Chamber of Industry and Commerce	Provides support to MSMEs through the NOVA Committee by leveraging the resources and networks of the Chamber of Commerce (Trinidad and Tobago Chamber of Industry and Commerce, 2018)
	Mayaro Initiative for Private Enterprise Development (MIPED), bpTT	Provides micro-grant financing for enterprise development (BP, 2020)
	The Loan for Enterprise and Network Development (LEND) Agency, Atlantic LNG	Provides micro-grant financing for start-ups and expansion of LGEs (Atlantic, 2021)
Educational institutions	Department of Management, University of the West Indies (UWI), St. Augustine Campus	Provides tertiary level programmes related to business management (UWI St. Augustine, n.d.)
	Arthur Lok Jack Global School of Business	Provides business development services to MSME through its BizBooster business incubator (UWI-ALJGSB BizBooster, 2021)
	University of Trinidad and Tobago (UTT)	Provides business development services through the uSTART business incubator programme (UTT, n.d.)
	Cipriani College of Labour and Co-operative Studies	Provides tertiary level business management related courses/programmes (CCLCS, 2021)
Regional / international agencies	Caribbean Agri-business Association (CABA)	Provides technical support for LGEs in the agricultural sector (CABA, 2017)
	UNDP Accelerator Lab, United National Development Programme (UNDP)	Supports development of LGEs (UNDP, 2021)
	IDB Lab, InterAmerican Development Bank (IDB)	Supports development of entrepreneurs within the Latin America and the Caribbean region (IDB Lab, 2015)

Table 4 (continued): **Stakeholders that do or can support the LGE sector**

Sector	Stakeholders	Roles
	International Labour Organization (ILO)	Conducts research on labour and MSMEs, and provides policy recommendations (ILO, 2021)
	Food and Agriculture Organization (FAO)	Provides technical support for and promote sustainable livelihoods and enterprises in the forest, fisheries and agricultural sectors (FAO, 2021)
	Global Environment Facility Small Grants Programme, United Nations Development Programme (UNDP)	Provides small grants to CSOs, including community organisations, to support sustainable livelihood initiatives and includes support to LGEs (GEF SGP, 2021)
	Economic Commission for Latin America and the Caribbean (ECLAC)	Conducts economic research, including on the MSME sector and provides policy recommendations (ECLAC-UN, 2016)

2.3 The market for LGEs

Many LGEs operate in traditional markets, where they compete with businesses which are not investing in environmental sustainability and social-inclusion objectives and which may also be benefitting from perverse economic incentives (e.g., subsidies on water, electricity and fuel encouraging high use of energy and water). LGEs are also competing with imports and it is often difficult for local goods to be competitive.

However, the market environment for LGEs may have improved somewhat, driven by restrictions during the COVID-19 pandemic. From 2020, there was a shortage of imported goods, a public call to support local businesses, new entrepreneurs entering the LGE sector as they lost jobs and the closure of borders, stimulating an increased interest in local tourism. All these combined were driving an increase in the market for LGE goods and products. Whether this is sustained, remains to be seen.

At the same time, new eco-friendly markets have emerged over the past 10 years. Examples include the weekly Green Market Santa Cruz and its periodic Thrifters Night Market, the monthly and seasonal UpMarket and the annual New Fire Festival (Green Market Santa Cruz, 2016; New Fire Festival, n.d.; UpMarket, n.d.). These LGEs and markets are responding to a niche customer base, which is small and high end; but this is growing and expanding. For example, the success of the private Green Market Santa Cruz, established in 2012, has inspired 'copycat' farmers markets to be established by

the National Agricultural Marketing and Development Corporation (NAMDEVCO)

in public spaces. This reflects a trend of a few private sector innovators leading the development of markets for LGEs, followed by government initiatives. However, a key barrier is the perception of many consumers that LGEs and their markets are for elites and not affordable.

2.4 Legal status

It is straightforward for MSMEs to register as a Limited Liability Company and also for LGEs to register their entities as either Sole Traders, partnerships or as a for-profit or non-profit company in Trinidad and Tobago. These procedures can be done in person at any of the four Registers General Departments. There is also an online option via the TT Connect portal (TT Connect, 2021a).

Some LGEs are a hybrid between a non-profit and a for-profit organisation, having broader social or environmental objectives beyond the focus on income generation. As legal frameworks in Trinidad and Tobago do not yet accommodate social enterprises, LGEs will be found with various types of legal registration where they are formalised. Many are informal and not legally registered.

2.5 Accounting requirements

The Institute of Chartered Accountants of Trinidad and Tobago (ICATT) Act of 1970, the Companies Act of 1995,



Bird-watching tourists in Brasso Seco Paria, Trinidad. Credit: CANARI

the Companies Regulations of 1997, the Insurance Act of 1980 (as amended 2009), the Financial Institutions Act of 2008 and the Securities Industry Act of 1995 establish basic financial reporting and auditing requirements in Trinidad and Tobago. These Acts generally do not contain detailed accounting, auditing and financial reporting requirements but rather refer to standards adopted by ICATT.

The Companies Regulations of 1997 require that the financial statements of corporate entities comply with accounting standards adopted by ICATT, which are International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB). ICATT also adopted IFRS for SMEs by reference, without modification.

There is no national legal definition of a public interest entity (PIE) or SME to support the IFRS and IFRS for SMEs reporting frameworks. However, the Council of ICATT approved a definition of PIEs for periods beginning on or after December 15, 2017. According to ICATT's definition, a PIE is defined as an entity incorporated or registered in Trinidad and Tobago with any of the following characteristics: (i) its securities are listed on the Trinidad and Tobago Stock Exchange; (ii) its

debt or equity instruments are traded in a public market and/ or have instruments registered with the Trinidad and Tobago Securities and Exchange Commission; (iii) it is regulated by the Central Bank of Trinidad and Tobago and/or designated as a Systemically Important Financial Institution (SIFI); (iv) is a credit union; and (v) it is ultimately controlled by the State.

ICATT's framework is supported by several individual laws and acts such as the Securities Industries Act of 1995, Insurance Act of 1980 (as amended 2009) and the Financial Institutions Act of 2008, which require listed companies, insurance companies, banks and non-banking financial institutions respectively to produce, publish and file financial statements in accordance with the accounting standards adopted by ICATT-IFRS as issued by the IASB.

With regards to auditing requirements, ICATT, as empowered by the ICATT Act of 1970, sets standards for all audits in the jurisdiction. It has adopted ISA as issued by the IAASB without modification which include the new auditor's report. Banks, insurance companies, and listed companies are also required to use auditing standards adopted by ICATT as per their respective legislation - Financial Institutions Act of 2008; Insurance Act of 1980

(as amended 2009); and Securities Industries Act of 1995.

In February 2010, ICATT adopted the IFRS for SMEs, as issued by the IASB, for use in Trinidad and Tobago for financial statements. ICATT's announcement said that the adoption of this Standard would impact the majority of the entities in Trinidad and Tobago and would simplify the level of accounting and auditing requirements for qualifying entities choosing to implement the Standard. Prior to adoption of the IFRS for SMEs, all SMEs in Trinidad and Tobago used full IFRSs. Now, SMEs may choose either the IFRS for SMEs or full IFRSs.

Financial statements for the MSME sector are usually produced when a facility (loan or grant) is required. In most cases, the statements need not be audited but are usually signed off by a certified accountant. It may not be necessary for the owners and operators of MSMEs to have an in-depth understanding of financial systems but they ought to have at least a reasonably good working knowledge of basic business accounting and financial systems. More complex work can be outsourced.

2.6 Environmental reporting requirements

There is no requirement for companies and/or MSMEs to report on environmental, social and governance (ESG) factors through 'non-financial reporting' or 'extra-financial reporting.' This covers reporting on sustainability risks for business stemming from environmental and climate changes as well as social challenges, impact on the environment and society, dependence on natural resources, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards.

However, there are legal obligations for large companies, as well as MSMEs, to conduct Environmental Impact Assessments (EIAs). Under the Environmental Management Act of 2000, they are required to do an EIA to receive a Certificate of Environmental Clearance (CEC) if an activity is likely to cause significant adverse environmental impacts. This requirement is determined by the Environmental Management Authority (EMA). The Certificate of Environmental Clearance (CEC) Rules note that a CEC may be granted based on information provided in the application alone without requiring an EIA to be conducted. The project proponent submits an



Tourists watch as a tour guide demonstrates the thickness of pitch found at La Brea Pitch Lake, Trinidad. Credit: Nicole Leotaud

application describing the project with a brief summary of activities and impacts. The EMA will determine within 10 days whether an EIA must be prepared. After considering all relevant matters, including the comments or representations made during the public comment period, the EMA may issue a CEC subject to such terms and conditions as it thinks fit, including the requirement to undertake appropriate mitigation measures (Ministry of the Attorney General and Legal Affairs, 2000).

The EIA process in Trinidad and Tobago seems to be comprehensive and well developed. However, there are several shortcomings in the legislation. For example, it is at the discretion of the Minister which activities should be on the "designated activities" list and at the discretion of the EMA which projects require an EIA; neither the screening criteria nor the mechanism for the review of the EIA Report are set out in the CEC Rules. Hence, whilst commendable provisions are made for public participation in the EIA process, it is not fully transparent (Toppin-Allahar, 2018).

2.7 Signature Issues

In terms of the general context for the LGEs sector in Trinidad and Tobago, signature issues which could be addressed to enhancing financing and other support to LGEs were related to information on the sector, legal status and certification, LGEs networks and market access by LGEs.

2.7.1 *Information on the LGE sector*

A formal definition of LGEs, as well as MSMEs, is needed to provide clarity on the sector and enable specific

focus in policies and programmes providing finance and other support. The dearth of information on the MSME and informal sectors generally, and the LGEs sector specifically, is a barrier to the design of tailored policies and programmes. Research is needed to gather data and document information on the LGE sector. Knowledge sharing and making information accessible is critical.

2.7.2 *Legal status and certification*

Creation of a special legal status for social and green enterprises is needed, as these organisations bridge the

traditional for-profit and non-profit sectors. Certification of LGEs as 'green' or 'social' enterprises can then be explored, which could make LGEs eligible for incentives and be useful for marketing. This legal framework should consider the accounting and environmental reporting requirements, as where these are onerous, it may deter some LGEs from establishing, expanding or registering in the first place. These requirements need to be reviewed to ensure that they are appropriate to the needs for oversight of the LGE sector.

2.7.3 *LGE networks*

There is an opportunity to develop and strengthen networks and associations of LGEs to facilitate knowledge sharing, collaboration to access markets, collective policy advocacy, etc.

2.7.4 *Market access*

Strengthening LGEs' market access is needed, both in terms of traditional markets and specialised niche markets.



A vendor selling ice-cream from an eco-friendly cart along the popular nature-based tourism site, Maracas Beach, Trinidad. Credit: Natalie Boodram

3. National policies and strategies

3.1. Policies

At the highest level, the Government of Trinidad and Tobago has developed a *National Development Strategy (NDS) 2016-2030*, also known as *Vision 2030*, which also incorporates the United Nations Sustainable Development Goals (GORTT, 2016). *Vision 2030* was formulated as a response to falling oil and gas prices and to the adverse impact on the Government's revenue potential and the country's standard of living. *Vision 2030* also broadly recognises that sustainable development is linked to economic activity which in turn is driven by environmental exploitation and notes that the environment must be placed at the heart of Trinidad and Tobago's development focus. *Vision 2030* aims at "achieving sustainable economic growth through greater diversification of the economy, as well as improving the social conditions and quality of life of citizens in an inclusive and environmentally sensitive manner" (p. ix). Included in *Vision 2030* are issues dealing with nurturing "citizens who are more creative, innovative and entrepreneurial, beginning with investment in education; ...Investing in strategic infrastructure – that is, infrastructure that is growth enhancing and crucial to stimulating economic activity, to be funded through innovation avenues such as a green infrastructure fund" (p. 3). The "green infrastructure fund (GIF) will support investment in: public transport; research infrastructure; green infrastructure



Maracas Beach in Trinidad is an ideal site for nature-based tourism.

Credit: Nicole Leotaud.

including solar, water and wastewater facilities; climate resilient infrastructure; and social infrastructure such as affordable (greener) housing" (p.78).

Vision 2030 mentions the concept of entrepreneurship and innovation on numerous occasions. For example, it states that "[o]ur country will be one in which young people feel confident in their own ideas to seek out and create their own opportunities, engendered by an education system that encourages entrepreneurship and innovation" (p. 42) and pledges that "[g]overnment will create an environment that encourages competition as well as a favourable culture and climate for entrepreneurship and innovation towards creating the economy of tomorrow" (p. 50).

While the term LGEs is not directly used, its usage is implied in several areas in the document. In *Vision 2030*, one of the themes speaks to building globally competitive businesses. One of the goals under this theme is to create a local business environment that is conducive to entrepreneurship through strategic initiatives and actions whereby businesses can "take advantage of opportunities across the globe, including those relating to the global agenda for green growth" (p. 104). In strengthening the environment for green growth, *Vision 2030* proposes to strengthen "[t]he policy, regulatory and institutional framework...to encourage industries to shift to greening their products and services by adopting green technologies as well as accelerating innovation and the development of indigenous green technologies. This will be supported by the establishment of sustainable financial mechanisms and incentives such as green certification" (p. 104). Additionally, there are plans to adopt "greener technologies" vis-à-vis renewable energy for power generation. Emphasis is placed on developing green markets such that the quality of local goods and services will conform to international standards.

In terms of specific MSMEs policy, in 2014 the Ministry of Labour and Small and Micro Enterprise Development (MOLSMED) published a draft *Micro and Small Enterprise (MSE) Policy for Trinidad and Tobago 2013– 2016* (MOLSMED, 2014). The Policy included a section focusing specifically on green enterprises, which notes: "Green enterprises include eco-tourism,

resource and environmental conservation, environmental costing/ pricing/valuing, renewable energy, agro-tourism, alternative use of organic products and waste, repurposing and recycling of organic and inorganic products and their waste material, where such activities are profitable or can be made profitable with suitable support. Green businesses also include environmental activities linked to the physical, cultural or historic national or regional patrimony” (p. 37). As such the Policy seeks to:

- create new green enterprises;
- support existing businesses whose core activity is economic greening;
- inculcate green practices among all MSEs; and
- create a green certification process for MSEs.

The Policy notes that MOLSMED will achieve the above objectives by partnering with the relevant ministries, departments and agencies to:

- support programmes and enterprises that both improve the expertise and increase the financing options of green enterprises;
- support viable green businesses in its incubator and public procurement programmes; and
- create green certification and labelling for all companies with a special emphasis upon MSEs.

Although this policy was never adopted, some policy support exists under other various sectoral policies. For example, the *National Environmental Policy* (2018) envisions that for entrepreneurs, industry and commerce stakeholders, the policy will be interpreted as a clear commitment by the Government to a greener development trajectory. As such, the policy actions contained should be used as a source of economic opportunities that can also yield social and environmental value. The *National Environmental Policy* includes a priority area on transformation to a green-blue economy. This includes supporting “entrepreneurial efforts aimed to address environmental issues, or foster economic prosperity in an environmentally responsible manner” (p. 36) as well as a focus on providing incentives for environmentally-responsible businesses and investing in human resources to support the shift to green jobs. Furthermore, it sets out clear tools and anticipated roles of the business and commerce sectors for sound environmental management in Trinidad and Tobago. The Policy adds that the

Government will ensure that multi-national corporations operating in rural and/or coastal communities exercise corporate social responsibility through the provision of training, internship or mentoring opportunities aimed at improving the skills and qualifications of members of the community for future employment or entrepreneurship. The Policy also plans to support entrepreneurial efforts aimed at addressing environmental issues or fostering economic prosperity in an environmentally responsible manner.

3.2 COVID-19 recovery

Support for MSMEs is also included in the national COVID- 19 recovery plan, the *Roadmap for Trinidad and Tobago Post COVID-19 pandemic* (Office of the Prime Minister of Trinidad and Tobago, 2020a). This report recommends employing a deliberate focus on innovation and entrepreneurship to stimulate the MSME sector, targeting traditional and non-traditional areas. The recovery plan considers tax relief to MSMEs, identifying new export opportunities for local manufacturers, “providing justifiable liquidity support to qualifying enterprises that would restore, sustain and grow operations” (p. 25). It also focuses on improving ease of doing business, emphasising digitisation, electronic services and process re-engineering. It includes an agriculture stimulus package, noting the need to create forward and backward linkages among MSMEs in the food sector. Various financial support measures are proposed, including TT\$35 million (US\$5.15 million) in funding to the state National Entrepreneurship Development Company (NEDCO) for the provision of grant support, not exceeding TT\$20,000 (US\$2,900) to MSEs, including the un-banked (1,250 MSEs targeted). Increasing support to business incubator/accelerator hubs to assist in spawning new and viable MSEs is also proposed. The focus here is on preferential loans, training and development, seed capital and investor network support, industry certification for better quality assurance, research and development support, innovation support and mentorship for emerging and existing entrepreneurs, particularly targeting the recently unemployed. The report recommends provision of seed funding of TT\$20 million (US\$2.9 million) for one entrepreneurship hub (UWI Ventures Limited). It notes that government procurement will also seek to support MSEs registered under its Fair Share Programme. Support for development/growth



Twigs Naturals' representative (left) markets their herbal teas at an artisan market in Trinidad. Credit: Sasha Harrinanan

of cooperative enterprises is also featured, targeting agriculture and information technology.

The Trinidad and Tobago United Nations Country Team (UNCT) produced an assessment of the socio-economic response to COVID-19 in Trinidad and Tobago (United Nations Trinidad and Tobago, 2020). The UNCT's socio-economic plan, working along with the Government's recovery measures, advanced the idea of protecting jobs, supporting small and medium-sized enterprises and informal sector workers through economic response and recovery programmes. This would focus on the following areas of response:

- Integrated, country-specific policy advice and programme support
- Support to young people and social partners in entrepreneurship and social innovation in response to COVID-19
- Rapid and gender-responsive socio-economic assessments and labour market and business environment diagnostics
- Advice on nature-based solutions for development, including for SMEs
- Business linkages support
- Investments to improve productivity and working conditions in micro and small firms

The UNCT proposed that the actions to be taken on the various areas of response will be led by the following agencies in the United Nations: International Labour Organization (ILO), International Organization for Migration (IOM), Food and Agriculture Organization (FAO), United Nations Development Programme (UNDP), Economic Commission for Latin America and the Caribbean (ECLAC), United Nations Children's Emergency Fund (UNICEF), United Nations Environment Programme (UNEP), and United Nations Population Fund (UNFPA). The Implementing Partners would come from various government ministries and state agencies, including the Occupational Safety and Health Agency (OSHA), the Ministry of Planning and Development, the Ministry of Agriculture, the Ministry of Social Development and Family Services, the National Entrepreneurial Development Company Ltd (NEDCO), the National Training Agency (NTA) and perhaps the Central Statistical Office. Other international partners would be the Pan American Health Organization (PAHO), World Food Programme (WFP) and United States Agency for International Development (USAID). The plan mentions the involvement of CSOs in implementation relating to the areas of provision of medical equipment, outreach to vulnerable populations, shelter management and business linkages support but no specific CSOs are identified.

3.3 Signature issues

In terms of the policy landscape, the main signature issues which could be addressed to enhance financing and other support to LGEs were weak and fragmented policy and poor policy implementation.

3.3.1 Weak and fragmented policy

Although some policy support for MSMEs is included in the draft *Micro and Small Enterprise (MSE) Policy for Trinidad and Tobago 2013–2016, Vision 2030, the National Environmental Policy, and the national Roadmap for Trinidad and Tobago Post COVID-19 pandemic*, Trinidad and Tobago generally lacks a coherent policy framework to support LGEs. The main policy gap is the lack of a finalised MSME policy.

The main talking points in Vision 2030 include buzz words and terminology such as “reduce, reuse, recycle,” “maintaining clean air,” “clean water,” and “green spaces,” as well as phrases such as “becoming energy smart,”

“encouraging eco-tourism,” and “promoting corporate environmental responsibility, greener industries and green cities” (GORTT, 2016, p. 54). However, it falls short on details on the implementation and development of green entrepreneurship. There is an askance view towards the growth and development of LGEs. There is also no focus on LGEs or recognition of this sector in the Government’s *Roadmap for Trinidad and Tobago Post COVID-19 pandemic*, nor any focus on the need to protect and restore natural ecosystems for economic development, livelihoods and well-being.

There is no mention of the informal economy in *Vision 2030* nor the Government’s *Roadmap for Trinidad and Tobago Post COVID-19 pandemic*. The COVID-19 crisis has left workers in the informal economy with limited social protection, due largely to the fact that they are not regulated, taxed nor are they monitored by the Government. Analysts vary in their thinking about the way the informal sector needs to be managed during the crisis. There is a perspective that regularisation of the sector is not a simple answer to the problems faced by the sector, while another point of view notes that the sector must be regulated to protect the workers in the sector (James *et al.*, 2021).

The existing policy framework, albeit fragmented as it is, could provide at least some support to LGEs. But this has not yet translated into tangible overarching governmental support.

3.3.2 Poor policy implementation

Despite there being various policies, there is no evidence of an increase in support to LGEs. In 2018, the Ministry of Planning developed the *National Environmental Policy* with a specific priority focused on evolving a greener economy. Policy ideas concerning economic transformation, though well intentioned, fall short on implementation. While the National Environmental Policy includes some mention of green jobs, there is no implementation plan included and it only gives vague aspirations towards generating new employment rather than concrete policy.

Overall, there have been severe shortcomings in the implementation of the policies/ideas by means of a systematic, proscribed pathway into tangible, sustainable entities. One reason offered is the lack of a ‘Master Plan’ or a national vision for the LGE sector, which would

guide implementation across sectors and consecutive administrations. A well devised plan should allow for a prioritisation of goals, effective use of resources and strategic short-, medium- and long-term plans to ensure that the policies are carried out.

Going green has not yet taken a strong foothold in the country as the numerous policy documents which have been written have not translated into a coherent enabling framework. Policies tend to fail in achieving their objectives when they do not target and address the specific needs of the stakeholders. Given the number of social/green business innovators, CSOs and individuals spearheading the green movement, it would be beneficial to engage in consultations with all the stakeholders involved in the sector to determine the needs of the enterprises.

While there have been several policies written specifically targeting the MSME sector in Trinidad and Tobago, there has been a dearth of support mechanisms for LGEs and the greening of MSMEs. In fact, the Green Economy Tracker (GEC, 2020) notes that green measures have been largely absent from stimulus and structural recovery plans in the Government’s COVID-19 recovery plan. A green infrastructure fund and support for green technologies have been proposed, although no sectoral reforms have been planned. The Tracker acknowledges that there are a few, specific green stimulus policies included within economic support packages, but they are



Glass bottom boats are used for reef tours in Speyside, Tobago.

Credit: CANARI.

overshadowed by relatively weak commitments, limited budgets and no wider focus on a green recovery.

Some stakeholders hope that the Government will introduce non-tax and tax incentives to help encourage the development of the LGE sector.

3.4 Summary and recommendations

Table 5 summarises the main enabling factors and challenges that can potentially impact LGEs within the current policy landscape. Whilst there are various policies and strategies that give some consideration to green-blue

enterprises, LGEs are often not specifically mentioned as the focus is generally on the MSMEs sector. However, the overall policy framework is generally fragmented and there is poor implementation of these policies due to lack of plans and budgets to guide implementation. The lack of a finalised MSME policy has also contributed to a weakened policy framework. Given the state of the policy landscape, and the limited focus on LGEs, **the main recommendation is to strengthen the policy landscape through the development of an overarching policy specifically designed for LGEs.**

Table 5: Summary of enabling factors, challenges and recommendations on policy for LGEs

	Policy
Enabling factors	<ul style="list-style-type: none"> • The draft <i>Micro and Small Enterprise (MSE) Policy</i> includes consideration for green enterprises. • <i>Vision 2030</i> speaks to green products/services/technologies as well as green infrastructure fund; it also seeks to promote entrepreneurship. • The <i>National Environmental Policy</i> speaks to supporting entrepreneurs in 'greener development' and plans to support environmentally responsible entrepreneurial efforts. • The <i>Roadmap for Trinidad and Tobago Post COVID-19 pandemic</i> report focuses on identifying support for MSMEs through proposed tax relief, agriculture stimulus packages, funding for grant support and support to incubator hubs. • The UNCT's socioeconomic plan includes consideration for developing nature-based solutions for SMEs as part of COVID-19 recovery.
Challenges or barriers	<ul style="list-style-type: none"> • The policy framework guiding the LGEs sector is weak and fragmented. <ul style="list-style-type: none"> ◦ The draft <i>Micro and Small Enterprise (MSE) Policy</i> has not been finalised. ◦ LGEs and informal economy are not specifically mentioned in <i>Vision 2030</i>, which also lacks details on green entrepreneurship development and implementation. ◦ The <i>Roadmap for Trinidad and Tobago Post COVID-19 pandemic</i> report does not focus on LGEs, nor does it refer to the informal economy. • There is poor policy implementation, with the existing policy framework not being translated into overall governmental support. <ul style="list-style-type: none"> ◦ There is a lack of regulations, strategies and initiatives stated in policies and plans to improve LGEs access to funding. ◦ Plans to guide regulation or monitoring of the informal sector are absent. ◦ There is no implementation plan for <i>Vision 2030</i>. There is weak commitment and limited budget towards green recovery in the <i>Roadmap for Trinidad and Tobago Post COVID-19 pandemic</i> report.
Recommendations	<ul style="list-style-type: none"> • Adopt an overarching policy for LGEs, along with a plan to guide effective execution, monitoring and evaluation of policies. • As part of policy development and evaluation, engage with stakeholders involved in the LGEs sector to determine the needs of the enterprises. Stakeholders should include experts as well as the actual entrepreneurs, who often are excluded from policy making processes.

4. Business Development Services

4.1 Overview

Business Development Services (BDS) are essential for the growth and development of LGEs. It is not uncommon for entrepreneurs to start their business based on their technical expertise of the sector with limited business management experience. Without the balance of the technical knowledge and business acumen skills, there is a greater possibility that the business will not succeed. With the opportunity to discuss the business concept with an advisor from the ideation phase, the entrepreneur should have a greater understanding of the nuances of her/his venture, avoid the pitfalls of making unavoidable errors, correct misconceptions pertaining to the business and have the confidence to proceed to the next stage of the business life cycle.

There are several BDS provided for MSMEs in Trinidad and Tobago but the extent to which most of these are targeting or serving LGEs is unknown.

BDS for MSMEs are provided by organisations such as Youth Business Trinidad and Tobago (YBTT), Youth Training and Employment Partnership Programme (YTEPP), Habitat for Humanity and NEDCO. NEDCO offers business advisory services as well as one- or two-day training modules in different aspects of business and has also designed specific entrepreneurship training programmes for companies (Connect Americas, 2015). NEDCO provides MSMEs with the critical knowledge needed to engender success through designing specific entrepreneurship training programmes to develop the core competencies of firms and individuals. The training is designed for the different stages of the firm continuum (aspiring entrepreneur, business start-up and after care). NEDCO's training programmes are geared towards aspiring entrepreneurs, current loan recipients, the general public and youth.

The NOVA standing committee of the Trinidad and Tobago Chamber of Industry and Commerce also provides support to new and growing MSMEs, through business mentoring and training provided mainly by the members of the Chamber. The committee also provides networking opportunities for MSMEs to collaborate with

national business leaders (Trinidad and Tobago Chamber of Industry and Commerce, 2018).

BizBooster, the University of the West Indies (UWI) Business Booster, sponsored by the Arthur Lok Jack Graduate School of Business, provides economic and entrepreneurial development as well as job creation to university graduates and to MSMEs. It concentrates largely on information technology, social network applications, agribusiness and creative enterprises. Some of the services BizBooster provides include mentoring, coaching, networking and training to clients (UWI-ALJGSB BizBooster, 2021).

The Centre for Enterprise Development (CED), sponsored by the Caribbean Industrial Research Institute (CARIRI), provides physical workspaces and hatchery facilities as well as virtual support for some of its clients. CED's strategic focus is on technology commercialisation and market development of MSMEs with export potential. It works with clients who are technology and innovation oriented and deals with climate change issues (Allahar and Brathwaite, 2016).

The University of Trinidad and Tobago's uSTART offers incubators in the areas of digital/animation, graphic design, fashion, sound recording and agro-processing



A freshly caught fish is weighed by a vendor in Blanchisseuse, Trinidad.

Credit: CANARI.



Grande Riviere Chocolate Company markets their artisan chocolate at a supermarket in Trinidad. Credit: Grande Riviere Chocolate Company.

(UTT, n.d.). Graduates and staff of the university benefit from services including physical workstations, virtual services, mentorship, training and networks as well as seed funding, business coaching, finance/accounting assistance, legal, intellectual property and compliance assistance, and shared administrative support (Allahar and Brathwaite, 2016; Cumberbatch, 2019).

CANARI provides technical assistance targeted at LGEs for business development as well as to 'climate proof' their businesses using a value-chain approach tool they have developed and piloted in the Caribbean (Sandy *et al.*, 2017).

4.2 Signature issues

In terms of BDS, the main signature issues which could be addressed to enhance financing and other support to LGEs were limited services targeting LGEs and delivering services appropriate to their needs.

4.2.1 Limited BDS targeting LGEs and delivering services appropriate to their needs

In general, LGEs have called for more BDS for their businesses. LGEs, in general, lack internal capacity, especially with the preparation of sound business plans and the ability to prepare (and understand) the various financial statements for the business. Some LGEs find the process of registering their businesses challenging and frustrating. They also remarked that the services offered by the Registrar General Department of the Ministry of Legal Affairs concerning business registration procedures tend not to be user friendly and ought to be more streamlined to make the registration process less arduous. LGEs face a challenging legal environment pertaining to issues such as business registration and land tenure. Whilst services pertaining to these matters already exist, from the perspective of the business

owners, the service providers (i.e., the Ministry of Legal Affairs and the Ministry of Agriculture) should be manned by supportive, understanding personnel who have a sound understanding of the services required by the LGEs.

There are several existing organisations and agencies—such as The Cropper Foundation, NEDCO, CARIRI and CANARI—whose services could also be more effectively used in helping to build and strengthen LGEs' internal capacity. LGEs are aware of the importance of having access to training programmes, whether in-house or virtual, as well as mentoring and networking opportunities. These services offered by BDS enable the entrepreneur to better manage their operations. Businesses generally achieve success through several factors, including sound planning, flexibility, good organisational skills and the optimisation of resources. To mitigate against failure in entrepreneurship, where globally 97 percent of new businesses fail within the first five years of existence, the entrepreneur needs to have an appreciation of the competitive business environment, the regulatory aspects of their specific industry and issues relating to access to finance (Cumberbatch, 2019). The LGE sector would benefit tremendously if supported by BDS which target the specific needs and priorities of the LGEs.

Table 6: Summary of enabling factors, challenges and recommendations on BDS for LGEs

	Business Development Services (BDS)/Support Mechanisms
Enabling factors	<ul style="list-style-type: none"> • BDS services for MSMEs are available through government agencies, CSOs and educational institutions focusing, for example, on business development and marketing.
Challenges or barriers	<ul style="list-style-type: none"> • Most of these services are targeted generally towards MSMEs, with the level of support mechanisms available for LGEs unknown. However, overall technical assistance, capacity building and advisory services are needed to develop sustainability of these enterprises. • Support is needed for LGEs starting their businesses. LGEs face a challenging legal environment pertaining to issues such as business registration procedures not being user friendly and issues related to land tenure and access to the goods and services to support their business. • BDS are not easily accessible to all LGEs due to location and cost of programmes.
Recommendations	<ul style="list-style-type: none"> • Target the specific needs and priorities of LGEs in providing BDS. • Develop more accessible BDS for LGEs throughout the country, particularly in rural areas. Funds or sponsors are required to support BDS which are flexible and can be held at convenient locations for participants and at a suitable cost. • Enhance services required which are aimed at developing internal capacity prior to, during and after the business start-up phase, preferably in the form of a one-stop hub so LGEs can have access to various services (financial, legal or advisory). • Equip governmental service providers (e.g., the Ministry of Legal Affairs and the Ministry of Agriculture) with supportive, understanding personnel who have a sound understanding of the services required by the LGEs. • Use services of existing BDS providers more effectively to strengthen internal capacity of LGEs.

However, most of the BDS services currently in Trinidad and Tobago cater largely to a clientele associated with universities and the incubators either in the capital or other commercial centres. LGEs tend to be a wide and divergent group, including in rural communities where many are nature-based. LGEs have identified the need for the business services to be at locations which are easily accessible to them. There is also a cost to training programmes and some participants have complained about not having sufficient funds. LGEs also note that training is sometimes held at times and locations not convenient to them. Resources are needed to support training at convenient locations to the LGEs and at a cost suitable to them.

Providing services aimed at developing internal capacity of LGEs prior to, during and after the business start-up phase is extremely popular. Preferably in the form of a one-stop hub, entrepreneurs want to have access to support for business plan development, training in various business skills and access to mentorship opportunities. Such a service could be either a public and or private

initiative. Some LGEs like the idea of having access to business incubators and accelerators, which can help the entrepreneur to hone his or her skills, not only pertaining to general business matters but specifically to improving their mastery in running a green- blue enterprise.

LGEs need BDS tailored to their unique needs, providing a 'one stop shop' of services and reaching them where they are, including in remote rural areas.

4.3 Summary and recommendations

Table 6 summarises the main enabling factors and challenges related to the available BDS for LGEs.

Whilst there are some BDS available, these are mostly geared generally towards the MSME sector, without addressing the specific needs of LGEs. **The main recommendation is to tailor BDS to the unique needs of LGEs through providing a 'one stop shop' of services and reaching LGEs wherever they are, including in remote rural areas.**

5. Financial sector overview

5.1 Composition of financial sector

Understanding the financial sector in which LGEs operate involves understanding the major financial institutions, the financial products and services available, and general challenges and opportunities which affect LGEs.

A leading player in the financial sector is the Central Bank of Trinidad and Tobago, which has a role to promote such monetary, credit and exchange policies as would foster monetary and financial stability and public confidence and be favourable to the economy of Trinidad and Tobago. The primary objectives of the Bank's monetary policy framework are the maintenance of a low and stable rate of inflation, an orderly foreign exchange market and an adequate level of foreign exchange reserves. The conduct of monetary policy is influenced by the pace of real economic activity, the fiscal operations of the Government, trade and capital flows as well as the operations of financial institutions. In carrying out its monetary policy, the Bank also takes into account the potential implications for the foreign exchange market and the stability of the exchange rate.

The following tables and figures provide an overview of the financial sector in Trinidad and Tobago. Table 7 and Figure 2 show the types of active financial institutions, the



"Turtle Warrior" bracelets promote conservation and raise income for Nature Seekers in Matura, Trinidad. Credit: CANARI.

size of each type of financial institution and its proportion in Trinidad and Tobago's financial system. Table 8 lists the composition of each financial institute and Table 9 provides an overview of the types of financial products offered.

Table 7: Types and sizes of financial institutions active in Trinidad and Tobago
(CBTT, 2019a)

Types of financial institutions	Size of sector 2019 (TT\$ million)	Size of sector 2019 (US\$ million)	Proportion of financial system (%)
Commercial banks	149,077	21,966	43.7
Occupational pension funds	54,702	8,060	16
Insurance companies	49,085	7,232	14.4
National Insurance Board	30,219	4,453	8.8
Unit Trust Corporation	22,828	3,363	6.7
Credit unions	16,478	2,427	4.8
Non-bank financial institutions	9,720	1,432	2.8
Development banks	4,986	735	1.5
Deposit Insurance Corporation	3,639.4	536	1.06
Thrift institutions	147	22	0.04

Figure 2: **Types and sizes of financial institutions active in Trinidad and Tobago**
(CBTT, 2019a)

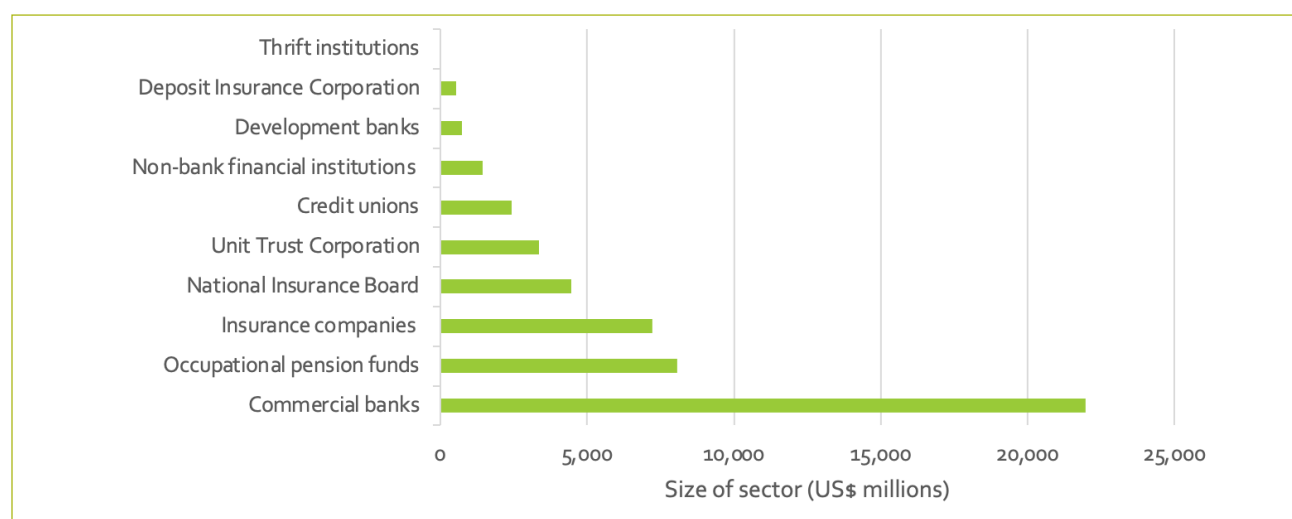


Table 8: **Profiles of financial institutions**

Name	Activity perimeter	Status	Balance sheet (TT\$ Billion: 2020)	Balance sheet (US\$ Billion: 2020)	Return on equity (%)
Bank of Baroda/Ansa Bank	National	Bank and Financial Services	n/a	n/a	n/a
CIBC First Caribbean International Bank	Regional	Bank and Financial Services	n/a	n/a	n/a
Citi	Multinational	Bank and Financial Services	n/a	n/a	n/a
First Citizens Bank (The Wall Street Journal Markets, 2021a)	National	Bank and Financial Services	47.446	6.99	8.33
JMMB Bank	Regional	Bank and Financial Services	n/a	n/a	n/a
RBC Royal Bank (Royal Bank Canada Financial Caribbean Limited, 2020)	Multinational	Bank and Financial Services	61.589	9.08	n/a
Republic Bank (Republic Bank Limited, 2021)	Multinational	Bank and Financial Services	104.3	15.39	n/a
Scotiabank Trinidad and Tobago Ltd. (The Wall Street Journal Markets, 2021b)	Multinational	Bank and Financial Services	27.503	4.05	15.7

Table 9: Types of financial products offered

Types of financial products available	Minimum/maximum/average size of financial product (\$)	Category of institution
Credit	n/a	n/a
Microcredit	n/a	n/a
Concessional Loans	n/a	n/a
Senior Loans	n/a	n/a
Mezzanine Debt	n/a	n/a
Equity (TT Connect, 2021b)	Advisory Services	Venture Capital
Quasi-equity	n/a	n/a
Guarantee	n/a	n/a
Insurance	n/a	n/a
Grant (THA, 2013; TT Connect, 2021c)	TT\$5-15,000 (US\$737-2,210)	Government of Trinidad and Tobago, Tobago House of Assembly

5.2 General access to financing and financial services

Governments can almost always obtain financing but the private sector often has more difficulty funding investment and entrepreneurship, depending on a range of factors that affect financial market development. MSMEs, particularly, struggle to obtain credit. The private sector's ability to access financing is, therefore, a central driver of economic growth and is also critically important in facilitating developing economies' ability to take advantage of gains from trade and investment. By promoting a central role for the private sector, sustainable growth is maximised. Furthermore, factors such as lack of collateral, poor credit information and legal systems that favour large businesses and those with property, often impede access to financing for many investors and entrepreneurs (Holden and Howell, 2009).

Access to finance for all companies but especially for MSMEs in the non-energy sector, is limited in Trinidad and Tobago, despite high liquidity levels. Banking sector liquidity (measured as the ratio of liquid assets to total assets) stood at about 22% in 2020 (The World Bank Group, 2021c), with domestic credit to the private sector by banks at 45% of GDP in 2020 (The World Bank Group, 2021d). These indicators reflect two facts regarding the country's financial institutions. First, although liquidity is high, there is little appetite for risk-taking on the part of banks in terms of lending to private-sector companies. Second, levels of financial intermediation are relatively low, although the trend has been generally increasing,

as banks prefer to keep their liquidity levels high rather than lending to firms that may face repayment difficulties for reasons beyond their control. Banks consider it risky to lend to companies outside the energy sector, as such, firms may find themselves unable to repay loans when external conditions change. Rather than being a singular problem arising from the management approach at individual banks or firms, this is a systemic and chronic issue, related to the existence of an incentive framework for lending that does not facilitate financial intermediation in Trinidad and Tobago. Interest rates in the country are relatively low; the median prime lending rate declined from 9.25% in February 2020 to 7.5% in March 2020, subsequent to the implementation of COVID-19 measures, and remained unchanged thereafter (CBTT, 2021a).

The segments of the population which tend to experience difficulty in accessing financing include women, youth, the elderly, residents in rural communities and now refugees as well due to the influx of Venezuelan escaping the crisis in their homeland. However, all the major commercial banks in Trinidad and Tobago do provide the citizens of the country access to basic financial services. The banks provide a wide range of diversified products, ranging from banking, chequing and savings accounts, debit and credit cards to electronic banking, personal line of credit, loans and mortgages, insurance and private banking. Notably, the Central Bank of Trinidad and Tobago became the 100th member of the Alliance for Financial Inclusion in 2013. Additionally, it made a



Entrepreneurs in Trinidad and Tobago proudly display the baskets they made from leaves of the versatile Vetivier grass. Credit: CANARI.

Maya Declaration Commitment to transform the National Financial Literacy Programme into a National Training Institute for Financial Inclusion by the conclusion of 2014. The Institute committed to work with key stakeholders to develop a National Financial Inclusion Strategy based on the Group of 20 principles of leadership, co-operation and empowerment. The National Financial Inclusion Strategy would focus on the major pillars of financial education and financial consumer protection (AFI, 2018). However, as at present, the programme has not been developed.

The IDB (2019) concluded that even though Trinidad and Tobago's financial sector is large, it is still underdeveloped. While the country has a high number of individuals with bank accounts, there is very limited financing available, especially for the private sector. Actions to address the major impediments that restrict access to finance should seek to:

- Encourage competition: Arrangements should be pursued to increase the competition faced by banks. These include removal of barriers for alternative financial services, development of the small and medium-sized equity market and incorporation of potentially disruptive financial technology by banks. These measures would increase the financing options available to the private sector and individuals, reducing their overall cost.
- Streamline regulations and information systems: Adjusting the regulations governing the opening of accounts would make them more accessible and inclusive as the required documentation would be reduced. There is a need for banks to develop information systems, especially to answer queries from the population living in rural areas. Such actions would support a more inclusive financial system.
- Improve arrangements designed to enhance financial literacy: While both the National Financial Literacy Programme and the National Finance Education Committee have been promising initiatives to improve financial literacy, greater funding and

increased targeting of undereducated groups would make these initiatives more effective and ultimately increase national trust in banks.

- Facilitate e-banking services: This includes the use of a robust regulatory framework to encourage the development of mobile and virtual platforms that address the geographical impediments faced by the large number of persons living in the rural parts of the country.

As far back as 2014, the then Governor of the Central Bank of Trinidad and Tobago, Jwala Rambarran, described two main aspects of financial inclusion in Trinidad and Tobago: (i) to protect consumers from the effects of financial turbulence (such as the 2009 collapse of CLICO, then the country's largest insurer); (ii) to ensure that the population is properly informed "to make responsible decisions about managing their money" (Oxford Business Group, 2021b).

While there were government initiatives working in tandem with the Ministry of Education to bring financial inclusion education into schools, including the launch of the Financial Inclusion Development Agency (FIDA) in 2014, there is no primary data on the impact of increased financial inclusion on the unbanked population. It is undeniable that the vulnerable sector has benefited from financial inclusion, but no verifiable evidence has been found.



A woman holds up a bottle of local fruit wine made from sugar cane in Trinidad and Tobago. Credit: CANARI.

5.3 General challenges in financial ecosystem

According to the Central Bank's Financial Stability Report (CBTT, 2019b), there are three main challenges affecting the financial ecosystem:

- Growing household indebtedness
- High sovereign concentration in the financial system
- Rapid digitalisation in the financial services industry

5.3.1 Household indebtedness

The industry is vulnerable to portfolio delinquency and other shocks and may be adversely affected by the fallout in provisioning, profitability, institutional and sector ratings and sustainability in light of IFRS, including IFRS 9. Increasing unemployment is anticipated due to COVID-19 containment measures. Official market data from the Central Statistical Office showed an unemployment rate of 5.1% in the second quarter of 2020 compared with 4.4% in the same quarter of 2019 (CBTT, 2021a), but data after mid-2020 was not available. Anticipated loss of household income and/or lower disposable income would result in the deterioration of household balance sheets and, subsequently, in the decline in consumer confidence. Household debt can pose risks to financial stability as most exposures are held by commercial banks which depend on consumption-driven credit to fuel profitability. There is a heightened possibility that households may struggle to meet their financial obligations if the domestic economy endures an extended period of sluggish growth, given the ramifications of the COVID-19 pandemic. The overall risk is the deterioration in the quality of consumer loan portfolios and a rise in public sector related Non-Performing Loans. This can lead to tighter credit conditions, a falloff in consumption and ultimately credit arbitrage.

5.3.2 High sovereign concentration

Concerning the high sovereign concentration in the financial system, public sector debt continues to increase and is projected to accelerate in the short-to-medium term as spill-overs from the dual shock—the energy price shock and the COVID-19 pandemic—worsen. In this regard, the domestic financial sector's relatively high and growing exposure to sovereign debt represents a potential vulnerability. The financial sector's exposure to the domestic public sector (central government,



Boats belonging to small scale fishers in Orange Valley on the west coast of Trinidad. Credit: Natalie Boodram

statutory bodies and state-owned entities) have mainly consisted of Treasury bills and securities from the central government and state entities. The high sovereign concentration can trigger an erosion of fiscal buffers meant to facilitate pandemic relief in addition to having a sharp rise in fiscal deficits, credit rating downgrades and lost earning opportunities. This may result in deterioration in the financial sector liquidity and in public sector loan portfolios, leading to a rise in distressed assets and ultimately a reduction in GDP.

5.3.3 Rapid digitalisation

The rapid digitalisation in the financial services industry persists as institutions continue to leverage newer technologies to generate efficiency gains. However, the rapid development without the appropriate defences could leave the system exposed to attacks in the digital space. The emergence of COVID-19 in early 2020 underscored the value of digitalisation as social distancing measures resulted in reduced working hours or closure of operating branches at many of the nation's financial service providers. Institutions have actively encouraged the use of electronic channels to conduct

business (including online and mobile banking as well as online claims systems) and have ramped up support through offsite assistance. At the same time, the rapid transition to these digital alternatives can lead to longer-term adoption by consumers who may come to appreciate the conveniences offered.

However, increased cyber-attacks can occur because of the increasing digitalisation and may lead to settlement and liquidity risk due to the inability to settle obligations and the temporary loss of funding; systemic liquidity risks may manifest due to interconnectedness among players in the system. Cyber-attacks may engender distrust and loss of confidence in digital transformation, which has the potential to extend to traditional financial services, leading to diminished confidence in financial institutions. Consequently, this may lead to tighter credit conditions, a rise in distressed assets and a slower pace in economic growth and development.

5.4 Indebtedness

One of the areas that funding agencies look at in terms of providing financial assistance to entrepreneurs is the applicant's statement of indebtedness. The accepted rate of indebtedness generally ranges between 33% and 40%, above which most financial organisations would be hesitant to approve a loan unless the entrepreneur can provide satisfactory supporting evidence that the enterprise can adequately service the loan. Financial agencies may or may not approve such a facility if additional collateral, for instance, in the form of cash or near-cash items, or assets, which can be easily converted to cash, are provided. The risk involved may be beyond that which the organisation may consider to be worthwhile. Consequently, it is possible that the risk of over-indebtedness may have a negative impact on a prospective entrepreneur's initiative in that they may not consider proceeding with their business venture. If the entrepreneur is of the assumption that the financial agencies would not overlook their over-indebtedness, in spite of the merit of their business idea, they may lose interest in pursuing their business idea, unless they are able to bootstrap and obtain funding from other sources.

While debtors can file for bankruptcy, there are no credit repair agencies in Trinidad and Tobago. As such, bankruptcy laws make it difficult to obtain financing, more so when creditors file judgement against debtors and register their names with debt collection agencies.

The traditional commercial banks, inclusive of the Agricultural Development Bank, usually accept immovable assets as collateral. Depending on the nature of the loan facility, they would accept movable assets such as cash, lien over machinery, vehicles and equipment. In addition, assignments on marketable shares such as Fixed Deposit/Mutual Fund Certificate(s), Share certificate(s), Unit Trust Certificate/statement, Transfer/transmission of shares form, Insurance policy/statement of Cash Surrender Value. Livestock, crops or inventories and receivables are not held as collateral.

5.5 Mobile banking/digital financial services

All the major commercial banks in Trinidad and Tobago have introduced mobile banking services. At an October 2020 webinar on Current Financial Stability Issues in Trinidad and Tobago (Hilaire et al, 2020), one of the key points raised was the need for legislative, supervisory



An entrepreneur sells soaps made from natural ingredients at an artisan market in Trinidad and Tobago. Credit: CANARI.

and regulatory reforms to be stepped up to deal with existing challenges, growing digitisation and a more integrated world. It was recommended that measures to

promote the use of digital financial services should be advanced to aid in efficient, safe and widely-accessible electronic financial transactions.

While mobile banking is seen as crucial for local banks to remain competitive and to satisfy customers' expectation of faster and more convenient banking, in 2020, it was noted that customers continue to contact their banks by telephone to perform routine services, such as balance inquiries. The use of digital financial services is low and would benefit from legislative reform. Challenges include the lack of innovative players in the market, high fees, lack of inter-operability in digital payment systems, paper-based government payments, and low financial literacy. The comprehensive national payments law and approval of the Central Bank's proposed E-Money Policy are needed to address gaps in the current legal framework and accommodate financial technology (FinTech). The Central Bank completed public consultation of an E-Money Policy, which would allow new entrants (e.g., telecom and payment services providers) and open



Akilah's Jewelry uses beads and seeds found in the forests of Trinidad to produce unique handmade pieces. Credit: CANARI.

up the market and create a level playing field, helping financial inclusion. As such, there is vast scope for digital reform and an opportunity for FinTech companies to level the playing field by encouraging the development of digital financial services.

Measures to promote the use of digital financial services should be advanced to aid in efficient, safe and widely-accessible electronic financial transactions. The chief financial and administrative officer of one of the major banks stated, "[t]he onset of COVID-19 has caused an irreversible acceleration in the use of digital banking services by customers. Banks are actively engaged in assisting customers to stay protected and migrate to online channels...[t]his increase in digital adoption has

been accompanied by robust cybersecurity measures to ensure that customers can use these channels with confidence" (Oxford Business Group, 2021c). As a consequence of the COVID-19 pandemic, the Bankers Association of Trinidad and Tobago has encouraged customers without online or mobile banking services to sign up for these services. This will help with respect to adhering to the national call for social distancing practices.

The demand for FinTech services in Trinidad and Tobago led to the launch of FinTechTT by the Trinidad and Tobago International Financial Centre Management Co. Ltd. (TTIFC) in February 2020. It was eventually handed over to the private sector in September 2020.

Table 10: Percentage of firms under each category in Trinidad and Tobago in 2010

Not Credit Constrained	Maybe Credit Constrained	Partially Credit Constrained	Fully Credit Constrained
32.9%	18.9%	43.2%	5.0%
These firms are happy with their current financing structure for both working capital and investments, independent of their usage of external finance.	These firms have had access to external finance and there is evidence of them having bank finance. They are classified under the possibility of maybe being credit constrained as it is impossible to ascertain whether they were partially rationed on the terms and conditions of their external finance.	These firms use external sources of finance for working capital and/or investments and/or have a loan outstanding at the time of the survey.	These firms applied for a loan and were rejected and do not have any type of external finance.

However, a survey conducted revealed that the risk of fraud and security concerns are the major deterrents to people using online banking services and credit cards in Trinidad and Tobago, with over 70% of the population preferring traditional methods to conduct banking transactions (CMB Communications, 2017). Fewer than 20% of credit card holders used their bank's online platform while just over half of those used the mobile apps. Service providers need to overcome lack of trust of the system and apathy by their customers to mobilise a greater use of the services. The survey indicated that most customers still valued interpersonal banking services.

Get Safe Online Trinidad and Tobago (2021) listed the following risks faced by users of mobile banking services and which may deter some persons from using or having confidence in the services:

- Unauthorised people—including criminals—gaining access to and using your bank accounts by finding or guessing your login details
- Your confidential details and transactions being intercepted if the Wi-Fi you are using is not secured
- 'Shoulder surfing'—people viewing what you are doing online, over your shoulder or via CCTV
- Loss or theft of your mobile device, which could contain or provide easy access to bank accounts and confidential details
- Being duped into visiting bogus banking websites or downloading fake banking apps
- Being persuaded to reveal confidential details to callers claiming to be from your bank or the police, telling you there is a problem with your account

The Central Bank of Trinidad and Tobago, the Trinidad and Tobago Securities and Exchange Commission (TTSEC) and the Financial Intelligence Unit of Trinidad and Tobago (FIUTT) have been collaborating in their capacity as financial sector regulators to establish a framework to supervise entities that offer products and services based on FinTech (CBTT, 2020). The Central Bank's FinTech Policy is aimed at promoting an environment to accommodate financial innovations while mitigating risks. As a result of FinTech, it is anticipated that there will be an improvement in the efficiency and security of financial transactions as well as financial inclusion.

The TTSEC's FinTech policy is intended to guide the Commission's approach to fulfilling its legislative mandate with regards to FinTech, as well as form the basis for the Commission's implementation of the international best practice for the regulation and supervision of FinTech within the securities industry in Trinidad and Tobago.

With the rapid growth of FinTech, there are many opportunities for the development of the financial sector in Trinidad and Tobago. The Central Bank, the TTSEC, and the FIUTT effectively supervise FinTechs and are committed to maintaining a safe and stable financial, social and economic environment in Trinidad and Tobago.



Nariva Swamp, Trinidad is a popular eco-tourism destination.

Credit: Audho Ramadhar



Brasso Seco Paria Tourism Action Committee members selling their Morne Bleu Cacao at an event in Trinidad and Tobago. Credit: CANARI

As such, Government plans to implement the following to facilitate FinTech:

- The E-Money Issuer Order, 2020 is a key component of the FinTech strategy and establishes the legal framework to facilitate the issuance of e-money (money stored on cards/electronic wallets etc) by persons other than financial institutions licensed under the Financial Institutions Act (FIA) (Ministry of the Attorney General and Legal Affairs, 2020).
- The Regulatory Innovation Hub (a portal on the Regulators' websites) will provide the opportunity for entities to receive guidance on the regulatory requirements for proposed financial technology products and services. This portal will be made accessible to the public on all Regulators' websites from October 2, 2020 (CBTT, 2021c).
- The Regulatory Sandbox, which will be launched in two phases, will allow interested entities to test their products and services in a controlled environment, under the supervision of the Regulators. Phase 1 of the Sandbox will be operational upon granting of provisional registration to an EMI. Phase 2 will apply to other FinTechs and will be launched at a later date (CBTT, 2021d).

5.6 Credit constraints

Kuntchev et al. (2013) found that there is a negative significant relationship between firm size and credit constraint, i.e., the smaller the firm the higher the probability of being credit constrained. In a survey of 116 countries, including Trinidad and Tobago, firms were classified into four categories: Not Credit Constrained, Maybe Credit Constrained, Partially Credit Constrained, and Fully Credit Constrained to understand the characteristics of the firms that fall into each group. Data for 2010 for Trinidad and Tobago is in Table 10. The small size of LGEs suggests that many will be credit constrained and finance their working capital and investments through trade credit and informal sources of finance.

6. Financing for LGEs

6.1 Enabling factors supporting access to finance by LGEs

This section examines the enabling factors supporting access to finance by MSMEs. There was limited specific information for LGEs as a subset of MSMEs, so most of the analysis covers MSMEs generally.

6.1.1 *Technical assistance, access to loans and grants*

One of the programmes that supports MSMEs' financial literacy is The National Financial Literacy Programme (Franklin, 2020). Priority groups targeted in this programme include:

- Primary and secondary students
- Tertiary students and young adults
- Employees in the workplace
- Communities and niche groups
- Micro and small entrepreneurs

There are several existing financing programmes for the MSME sector.

Some commercial banks now offer financing for the MSME sector, though their requirements for loan acquisition tend to be beyond the scope of their programmes.

Through a joint venture between a Caribbean-based online credit institution, Term Finance Holdings Limited (TFHL), and a national organisation, 3Stone Limited, Term Finance SME TT Limited (SME TT) was developed as an online financial company providing short term loans to MSMEs in Trinidad and Tobago (Chaitram, 2020). Loans offered range from TT\$10,000 to TT\$250,000 (US\$1,474 to US\$36,857) and MSMEs are required to be in operation for at least one year as well as have a bank account. The application process and receipt of funds have been highlighted by the institution as being quick and convenient due to the use of its digital platform (Term Finance, 2021). The IDB Lab has also recently approved a US\$1 million loan to SME TT to support and expand their MSME loan programme (IDB Lab, 2021).

The Grant Fund Facility, established under the Ministry of Trade and Industry and administered by the state agency ExportTT, provides funding to registered MSMEs

which have been in operation for a minimum of two years and are involved in these eight sectors: manufacturing, agriculture/agro-processing, financial services, maritime services, creative industries, software design and applications, fish and fish processing and aviation services. The grants are to be used for acquisition of new capital requirements/expenditure by MSMEs that are either export oriented, producing an import substitute or supporting diversification of the economy. Individual grants up to a maximum of TT\$250,000 (US\$36,800) can be accessed by local businesspersons to cover 50% of acquisition costs. As part of the application process, MSMEs are required to submit various supporting documents including audited financial statements, statement of tax affairs, evidence of cost of capital requirements/expenditure and proof of financial ability to cover the remaining 50% of the cost of the acquisition (Ministry of Trade and Industry, 2015).

Another avenue for financing LGEs which are registered as non-profit entities is the Green Fund, which was established under the Finance Act 2000 by the Government. This grant facility supports non-profit entities which are engaged in activities related to the focal areas of remediation, reforestation, conservation of the environment and environmental education and public awareness of environmental issues. Initiatives seeking Green Fund funding should be aligned with local environmental policy and international conventions to which the Government of Trinidad and Tobago is a signatory. For-profit businesses are not eligible, and, in fact, pay a Green Fund levy of 0.3% on all gross income which capitalises the Fund.

Outside of the Green Fund, small amounts of grant financing are accessed by LGEs from various sources, including corporate programmes (e.g., Digicel Foundation, Atlantic LNG's Loan for Enterprise and Network Development [LEND], bpTT's Mayaro Initiative for Private Enterprise Development [MIPED]), bilateral funding (e.g., from embassies), and multi-lateral funding programmes (e.g., the Global Environment Facility Small Grants Programme administered by UNDP).

Within the civil society sector, there is interest in supporting community-based micro-enterprises by a

few CSOs as part of environmental or rural/social development programmes supported by grant funding that the CSOs access. Intermediaries, such as CANARI, also access grants and channel small or micro-grant funding to community micro-enterprises as part of incubator programmes.

6.1.2 *The regulatory landscape for financing MSMEs*

Concerning financing for the MSME sector, the Government's *Phase 2 Roadmap for Trinidad and Tobago* report lists one of its pillars as "Leaving No One Behind while creating greater Equity in Trinidad and Tobago" and aims to develop a small and medium-sized enterprises (SME) Investment Fund cosponsored by banks, insurance companies and mutual funds to provide non-debt financing to the SME sector (Office of the Prime Minister of Trinidad and Tobago, 2020b).

The Government has also sought to provide venture capital financing by offering tax credits for contributions to a venture capital fund (Central Bank of Trinidad and Tobago, 2006).

In terms of regulation of MSMEs, the Central Bank of Trinidad and Tobago has a *Prudent Person Approach to Investment and Lending Guideline* (CBTT, 2005) which provides the Board of Directors and management

of financial institutions with a framework for the establishment of policies and procedures for the prudent management and control of risk in their investment and lending portfolios. The framework encompasses statutory requirements and will also be used by the Central Bank of Trinidad and Tobago in its evaluation of a financial institution's investment and lending activities to determine whether it is in a sound financial condition. Financial institutions implement sound investment and lending management policies and frameworks, which should comprise the following steps:

1. Formulation and documentation of investment and lending policies, including a code of ethics and professional conduct
2. Approval and implementation of the policies
3. Risk management of investment and lending activities
4. Reporting procedures to the appropriate level of authority

Loan requirements tend to be generally standard throughout the various financial organisations with minor variations. The policies usually include, though are not limited to, (Connect Americas, 2015; ADB, 2018):

- Proof of citizenship or residency by providing a valid identification card or passport
- Proof of home address by means of a utility bill
- Obtaining the required statutory requirements
- Collateral/security
- A business plan and projected financial statements
- Financial records and bank statements for existing businesses
- Business registration
- Invoices and quotations
- Contracts where applicable
- Evidence of marketing arrangements
- Letters of recommendations or trade references

6.1.3 *Debtors and consumer protection*

No known debt restructuring scheme exists. However, several initiatives help MSMEs impacted by the COVID-19 pandemic. One is the Small and Medium Enterprises (SME) Stimulus Loan Facility, a government-sponsored



A vendor selling natural beauty products at an artisan market in Trinidad and Tobago. Credit: CANARI.



Handcrafted wooden utensils on offer at an artisan market in Trinidad. Credit: CANARI.

loan programme of up to TT\$300 million (US\$44 million). Government guarantees 75% of the loan, which is for a maximum of five years, and no payment is required by the enterprise for two years. The interest on the SME Stimulus Loan will be paid by the Government and there are no handling fees on these facilities. Eligible enterprises that have been impacted by the COVID-19 pandemic are invited to apply. Loans are facilitated via participating commercial banks (First Citizens Bank, Republic Bank, Scotiabank and RBC Royal Bank).

As part of COVID-19 relief, the Government will also provide TT\$100 million (US\$14 million) to credit unions to allow them to provide loans to their members at favourable interest rates with a long repayment period beginning after the situation normalises (Office of the Prime Minister of Trinidad and Tobago, 2020c). The objective of the programme would be to provide liquidity support to individuals and those small businesses who qualify for credit union loans. Individuals and businesses who access the programme will be expected to repay the loans advanced to them within 12 months after the end of the affected period. These loans will attract a reduced interest rate of 50% of the existing credit union interest rate (i.e., from 12% to 6%), and will be supported with funding from the Government.

Some political attention is given to supporting entrepreneurship in Vision 2030 (GORTT, 2016) which has as one of its themes “Building Globally Competitive Businesses.” The goals include maintaining macro-economic stability and creating a business environment conducive to entrepreneurship. Even though the document lists several strategic plans and actions regarding achieving the stated goals, it lacks details vis-à-vis the way these goals would be developed, implemented and evaluated.

6.2 Signature issues

The main signature issues related to access to financing by LGEs can be divided into two main categories: lack of preparedness by the potential entrepreneur to enter the business world and absence of an enabling environment that encourages entrepreneurship. Other signature issues considered here include collateral requirements, gaps in financial products, financial inclusion and use of mobile banking/digital services.

6.2.1 Low capacity and business readiness

Astute financial institutions will not refuse to finance an MSME simply based on its classification. In most cases,

the prospective client may not possess the relevant personal abilities and resources deemed necessary to start and run a business. Some of these may include:

- Not having a proper understanding of risk assessment of the business idea
- Inadequate knowledge of the ebb and flow of the earning potential of the business and an understanding of adapting the business to these fluctuations
- Absence of a proper business plan and in some instances a clear business idea
- Lack of a thorough feasibility study and market research
- Lack of the entrepreneur's competency to manage and run the business successfully, including having adequate business skills, appreciating the challenges and pressures they will face as a result of running their own business, and having the right skills and specialist qualifications, especially if the sector is regulated
- Inability to complete the pre-financing process, i.e., registering the business and other statutory requirements
- Challenges with finding a location, sourcing suppliers, knowing, and having good understanding of the potential client base

Even if the funding is granted, the financial agency may not be willing to offer adequate financing to the enterprise and this may be done at a higher interest rate.

LGEs also need technical assistance, capacity building and advisory services to develop, enhance and ensure the viability and sustainability of their enterprises. However, there are no organisations which act as a one stop shop to help the prospective entrepreneur in addressing all their needs—whether they be financial, legal, advisory—in a seamless manner. Many entrepreneurs complain of the long and tedious application processes, more so in obtaining financing. Many are not familiar with the legal and statutory requirements in starting a business and, without the necessary advice and guidance, they may find themselves unable to proceed as per required by law.



Bottles of RouCou sauce, made by the Brasso Seco Paria Tourism Action Committee, for sale at an artisan market in Trinidad and Tobago.

Credit: CANARI

6.2.2 Weak enabling environment

Although there are some policies relevant to supporting LGEs (e.g., the Trinidad and Tobago roadmap for SDG implementation, the Green Government Policy and Vision 2030) none of them give specific details focusing on regulations, strategies or initiatives aimed at improving LGEs' access to funding (Ministry of Planning and Development, 2017; GORTT, 2016; Ministry of Planning and Development, n.d.). At best, the Vision 2030 document makes limited reference to sustainable finance reform; even though several provisions to finance development aspirations are laid out in the report, none of them has been fully costed.

With respect to the private sector and particularly the retail and commercial banking sector, there is no focus towards improving LGEs' access to financing.

Notwithstanding the challenges pertaining to the business readiness of the individual entrepreneur, MSMEs almost never have the same access to finance as larger enterprises. For commercial banks, for example, small enterprises are considered to be of lower profitability and are assumed to carry greater risks than larger



Two vendors and their customer (centre) at the Green Market Santa Cruz, Trinidad. Credit: Nicole Leotaud

enterprises. The availability of bank finance for MSMEs is usually limited and, even when credit is available, it is usually at a higher cost and on unfavourable terms, for example, through high-cost overdraft facilities rather than through term loans. Financial institutions tend to balk at funding MSMEs unless a loan guarantee scheme is offered, usually by a government agency. This would reassure the financial institution that loans to high-risk small businesses will be paid even if the borrower defaults.

None of the existing traditional financial agencies in the country, such as commercial banks, credit unions, NEDCO or YBTT are involved in funding LGEs.

There is no sustainable finance roadmap/action plan/strategy and no private sector-led initiative promoting sustainable finance. There is also a lack of specific financial products promoting environmentally sustainable economic activities in the local market. At the moment, no such regulations exist which are aimed at promoting financial inclusion. There is also no 'green', 'eco', ESG, and/or SRI (Socially Responsible Investment) label for financial products and there are no specific public incentives promoting sustainable investments.

6.2.3 Collateral

LGEs also do not consider collateral requirements to be adequate. Most financial and funding agencies consider LGEs (and most MSMEs) to be high risk entities which generally do not have nor provide sufficient asset-based collateral for securing loans. Additionally, due to the nature of some LGEs, typically those which are more service-oriented businesses, they usually do not have the type of assets which are traditionally held as collateral. For agriculture based LGEs, land tenure has proven to be a major issue. Without proper legal title to the lands which they use and occupy, they have been denied use of the properties as collateral. LGEs advocate that the financial system must revise its perception of collateral provided by their sector, since many tend to lack the collateral traditionally used in acquiring loans.

6.2.4 Gaps in financial products

LGEs in Trinidad and Tobago suffer from a lack of access to affordable commercial bank credit. While there are several agencies such as NEDCO, YBTT, CANARI and MIPED which offer some form of microfinancing to the sector, there still is a concern that the access to funding



An entrepreneur discusses her horticulture business at an artisan market in Trinidad and Tobago. Credit: CANARI

and other support services to the LGE sector is far from adequate.

Access to funding is a major obstacle to the MSME sector in general and more so for LGEs. Oxford Business Group (2021a) cites Central Statistical Office research which shows that only about 11% of SMEs' funding comes from the traditional banking sector. They suggest that this is due to SMEs' inability to communicate business models and plans to banks as well as the inability of commercial banks to engage in a structured methodology to evaluate and price credit risk. Caribbean Information and Credit Rating Services (CariCRIS), the Caribbean's leading credit rating agency, can play a much more critical role by expanding its MSME credit rating service. Allowing commercial banks and other financial institutions to use CariCRIS ratings in their loan appraisal process should result in an increasing efficiency of MSME lending for banks, thereby boosting access to finance for the country's MSMEs.

Lack of access to financing continues to be a major hurdle for LGEs as commercial banks are generally conservative with regards to their lending practices. One solution would be to increase the number of suitably qualified personnel at commercial banks who are trained in financial services specifically for LGEs.

A number of financial products are not present in the financial landscape in Trinidad and Tobago. They include concessional and senior loans, mezzanine debt, equity and quasi-equity loans, credit guarantees and insurance. More research is needed to determine which of the aforementioned products should be introduced into the local financial landscape. At the same time, the performance of the current products offered, such as credit and micro-credit facilities, of which there is a ready market, needs to improve in order to meet the needs of the current clientele.

Apart from debt financing, there are those small businesses which require equity financing. This can be addressed through the development of a venture capital industry such as the 'business angel' concept where small amounts of venture capital come with considerable technical expertise and general management advice (CBTT, 2006).

The LGE sector desires a funding scheme that would be favourable to their peculiar business modes. The traditional retail and commercial banking sector lending policies also tend to be inflexible to LGEs, especially with regards to the allocation of collateral. The services of commercial banks need to be greatly improved to provide the entrepreneurs the capability of better managing their business finances, with areas for improvement relating to the opening of business accounts, providing digital services and other optimal modes of payments. Some within the LGE sector have advocated for banks to modernise their digital services to accommodate mobile banking, which would better serve rural enterprises.

Despite the total sum of money at the disposal of the Green Fund, it is extremely underutilised. According to the Auditor General's report, at the end of the 2020 financial year, the Green Fund stood at approximately TT\$7.632 billion (US\$1.124 billion), with only TT\$2.4 million (US\$0.4 million) disbursed in 2020, and TT\$13.7 million (US\$2 million) disbursed in 2019. Up to March 30, 2020, an estimated TT\$392 million (US\$57.8 million) or just about 6% of the total Fund had been disbursed towards the

financing of 27 environmental initiatives (Office of the Auditor General, 2021). Of the organisations receiving financing, 77% of Green Fund financing was granted to state agencies. CSOs which have submitted proposals have stated that the process is onerous and difficult to complete, with at least 100 CSOs in a 2019 review saying that their applications have often become 'stuck' without any understanding of what stage in the process their applications currently sat (Vallie, 2020). Based on the current narrow eligibility criteria and onerous application process of the Green Fund, this potentially hugely significant source of financing for LGEs remains inaccessible and untapped.

Ibrahim Abdullah, a Project Officer at the Green Fund Executive Unit and author of an informal paper *A Policy for the Green Fund of Trinidad and Tobago* (Abdullah n.d.), acknowledges: "[o]ne area which has provided great challenges in allowing the Green Fund to be more effective in producing civil society partnerships is the application process and the criteria for assessment of projects. Community based organisations generally have knowledge of their environmental problems and can be encouraged to contribute to solving these problems and bring social benefits to their area. However, most of these organisations have noted great difficulty in completing the application form at a level which would be acceptable to the Green Fund and be considered for funding. Issues of formulating activities, detailing baseline information, explaining the expected benefits of planned activities and proposing a budget has proven to be a nightmare for several organisations hoping to make an impact environmentally" (p.3).

6.2.5 *Financial inclusion*

There is need to improve financial inclusion in Trinidad and Tobago. The Economist Intelligence Unit, in its *Global Microscope 2016 – the enabling environment for financial inclusion* ranked Trinidad and Tobago with a general score of 45 out of 100 on the necessary regulatory environment for financial inclusion (Oxford Business Group, 2021b).

Like in most countries, the financial sector in Trinidad and Tobago has expanded enormously through the increase of financial assets, together with more and better paying jobs within the sector. That said, this does not automatically mean a greater financial inclusion at the individual and enterprise level. From an individual

standpoint, the results of a 2007 financial literacy survey conducted by the National Financial Literacy Programme (Franklin, 2007) revealed that 36% of respondents were classified as having low financial literacy. In addition, just over one-fifth of respondents reported that they had defaulted on their financial commitments for three months or more at least once during the past five years.

In Trinidad and Tobago, larger enterprises generally tend to have a higher level of access to the formal financial system in comparison to smaller enterprises. Concerning bank credit, higher financial and transaction costs are incurred for evaluating, processing and monitoring loans. These are fixed costs that decrease per unit as the number of loans increases. As a result, it is comparatively more expensive for banks to lend to small enterprises.

A study by Friedrich Schneider, professor of economics at the Johannes Kepler University of Linz, Austria, argued that the Trinidad and Tobago economy could grow by an additional 3.6% if the country increased its electronic payments by 30% across a four-year period (Oxford Business Group, 2021c). It held that, while cash was once a positive driver of economic growth, it has now become a constraint, by generating direct and indirect costs. These include the costs associated with tax evasion and financial exclusion. In contrast, the non-cash economy made it easier to carry out transactions, particularly for micro and small businesses, which also benefitted from a more secure store of value.

A previous governor of the Central Bank of Trinidad and Tobago spoke about demonstrating a strong commitment to developing national financial inclusion strategies consistent with the 2011 Maya Declaration on Financial Inclusion (Rambarran, 2012). The strategies ought to provide 'demand side' data directly from the users of financial services to help policymakers to more accurately diagnose the state of financial inclusion, agree on targets, identify existing barriers, craft effective policies and monitor policy impact. Financial inclusion strategies need to include sufficient focus on responsible finance, with financial capability and consumer protection as central themes. In this framework, consumers must take responsibility for their financial decisions. While the Central Bank of Trinidad and Tobago offers the public booklets on money management, home ownership, budgeting, insurance and consumer protection services, the goals stated above have yet to be realised.

6.2.6 Use of mobile banking/digital services

Information on mobile banking and digital financial services is difficult to obtain. This may reflect the rather fragmented approach to treating with this significant aspect of financing by both the Government and the private sector. There appears to be a lack of coordination and synchronicity by public and private entities in making these services available to the sector.

The IMF's financial system stability assessment report on Trinidad and Tobago (IMF, 2020) found that use of digital financial services is low and would benefit from legislative reform. Drivers include the lack of innovative players in the market, high fees, lack of inter-operability in digital payment systems, paper-based government payments, and low financial literacy. The comprehensive national payments law and approval of the Central Bank's proposed E-Money Policy are needed to address gaps in the current legal framework and accommodate FinTech. The Central Bank completed public consultation of an E-Money Policy, which would allow new entrants (for example, telecom and payment services providers) and open up the market and create a level playing field, helping financial inclusion.

However, LGEs have not been able to take advantage of developments in this area and what services do exist.

6.3 Summary and recommendations

Table 11 summarises the main enabling factors and challenges related to access to finance for LGEs.

Most traditional financial agencies are not involved in financing LGEs and many LGEs do not have the requisite business readiness to meet the requirements for financing (e.g., business plans, business competencies). **The main recommendation would be for more flexible and tailored financial products to be developed for LGEs, including digital financial services.** Credit rating services, 'green' and similar labelling, and specific public incentives promoting triple-bottom line investing would encourage focus on this sector by traditional financial agencies. Access to available grant financing could also be enhanced, ensuring that this is tailored to address the needs of LGEs.

Table 11: **Summary of enabling factors, challenges and recommendations on financing LGEs**

	Finance
Enabling factors	<ul style="list-style-type: none">• Programmes in financial literacy/business advisory services are available to LGEs.• The <i>Roadmap for Trinidad and Tobago Post COVID-19 pandemic</i> report proposes a SME Investment Fund. Also, a SME Stimulus Loan Facility was created to help MSMEs impacted by the COVID-19 pandemic. Government also proposes to provide funding to credit unions to support loans to members which may include MSME sector.• Some commercial banks now offer financing for the MSME sector.• Financing for LGEs is possible through the Green Fund. Other grant financing is accessible by LGEs through government programmes, corporate programmes, bilateral funding, multi-lateral funding and microgrant funding.• The Central Bank of Trinidad and Tobago has a strong commitment to developing national financial inclusion strategies. The regulatory sector for MSMEs includes Central Banks' framework for establishment of policies and procedures in investment and lending portfolios.

	Finance
Challenges or barriers	<ul style="list-style-type: none"> • Most traditional financial agencies are not involved in funding LGEs. • Limited financing options are available to LGEs. There is also a lack of variety in financial products offered by financial institutions. This includes lack of specific financial products promoting environmentally sustainable economic activities in the local market. There is also no 'green', 'eco', ESG, and/or SRI label for financial products and there are no specific public incentives promoting sustainable investments. • Limited access to funding from formal financial systems is a challenge as it is more costly for banks to lend to LGEs. • There is lack of access to affordable commercial bank credit. • LGEs have weak internal capacity related to preparation of financial statements. LGEs are typically unable to communicate business models and plans to banks. Often, they find the application process long and tedious. LGEs lack of 'business readiness' may obstruct access to finances. • The Green Fund is underutilised, and finance is inaccessible to LGEs due to difficulty in applying for grants. • The banking sector's lending policies are inflexible to LGEs, particularly related to collateral. LGEs do not have the type of assets which are traditionally held as collateral. LGEs also do not consider collateral requirements to be appropriate. • LGEs have not been able to take full advantage of digital financial services, possibly due to lack of coordination by public and private entities in making these services available. • Various policies and plans (e.g., <i>Trinidad and Tobago roadmap for SDG implementation</i>, the <i>Green Government Policy</i> and <i>Vision 2030</i>) make limited references to sustainable finance reform. • No regulations exist to date which promote financial inclusion.
Recommendations	<ul style="list-style-type: none"> • Expand CariCRIS MSME credit rating service and allow financial institutions to use CariCRIS ratings to increase access to finance for LGEs. • Improve services of commercial banks to support management of entrepreneurs' business finances. Areas for improvement include supporting opening of business accounts and providing digital services and other optimal modes of payments. • Increase the number of suitably qualified personnel within financial institutions who are trained in financial services specifically for LGEs. • Develop favourable/flexible funding schemes for different business models. • Conduct more research to determine which new financial products can be introduced into the local financial landscape to support LGEs. • Improve current products offered, such as credit and micro credit facilities, to meet needs of LGEs. • Accommodate mobile banking, which would better serve rural-based enterprises. • Develop a venture capital industry such as the 'business angel' concept to support LGEs which require equity financing. • Review the perception of collateral provided by financial institutions since many of the LGEs tend to lack the collateral traditionally used in acquiring loans. • Address gaps in the legal framework to accommodate FinTech, possibly through a comprehensive national payments law and approval of the Central Bank of Trinidad and Tobago's proposed E-Money Policy. • Include sufficient focus on responsible finance, with financial capability and consumer protection as central themes, in financial inclusion strategies.

7. Conclusion



Natural beauty products are popular items at the NEW FIRE Festival Artisan Market in St. Joseph, Trinidad.

Credit: Trinidad and Tobago Bridge Initiative.

The CFA study revealed the following key signature issues facing LGEs:

LGEs sector

1. A formal definition of LGEs in Trinidad and Tobago and accessible information and knowledge sharing mechanisms on the sector are needed to support and encourage more attention to LGEs.
2. A special legal status for social and green enterprises is needed, which could support certification schemes and incentives and ensure that reporting requirements are appropriate.
3. Networks and associations of LGEs need to be developed and strengthened to facilitate knowledge sharing, collaboration to access markets, collective policy advocacy, etc.
4. Strengthening LGEs' market access is needed, both in terms of traditional markets and specialised niche markets.

Policy and strategy

5. A coherent and strong policy framework to support LGEs needs to be developed to rationalise and leverage existing policies, grounded in adoption of a specific MSME and/or LGE policy, which includes focus on the informal economy. Policy development needs to engage LGEs and other key stakeholders.
6. Implementation of existing policies needs to be supported by concrete implementation plans, budget allocations and systematic evaluation of policy implementation.
7. A 'Master Plan' or a national vision for the LGE sector is needed to allow for prioritisation and to guide effective use of resources in implementation across sectors and consecutive administrations, including as part of economic recovery to the impacts of the COVID-19 pandemic.

Business development services (BDS)

8. Existing BDS agencies and incubator programmes need to be reformed to better serve LGEs, especially in rural areas. Comprehensive 'one stop shop' financial, legal, advisory and capacity building services are needed to address the needs typical to all MSMEs, as well as the unique challenges of the LGEs sector. Services need to build internal capacity of LGEs as well as support them to operate in the face of policies and regulations, which are crippling their ability to function effectively.

Access to financing

9. Traditional commercial financing services need to build their capacity to better provide for LGEs, which generally are excluded from accessing services due to their low capacity and business readiness, as well as the specialised nature of their businesses not being well understood.
10. Existing national policies and government and private sector financial services programmes, particularly by the retail and commercial banking sector, need to be revised to better enable financing of the LGE sector. Expansion of the use of credit rating for this sector is needed. Regulations are needed to promote financial inclusion.
11. Collateral requirements need to be made more appropriate to the LGE sector.

12. Financial products need to be tailored to fit the needs of the LGE sector and additional products explored, including concessional and senior loans, mezzanine debt, equity and quasi-equity loans, credit guarantees and insurance, and angel investing. Grant programmes need to be tailored to better support the LGE sector.
13. The policy and regulatory framework needs to be reformed to better support financial inclusion, including via financial literacy and capacity building programmes as well as tailored financial products.
14. Strengthening of the legal framework is needed to support mobile banking and digital financial services to better serve LGEs, many of whom are rural or otherwise have limited access.

These issues need to be further explored and addressed through changes to policy and practice in Trinidad and Tobago. This needs to be a collaborative effort, engaging key government agencies with mandates to support entrepreneurship and sustainable development, corporate and civil society partners already supporting LGEs, financing and business support providers, and LGEs themselves. These stakeholders need to work across sectors to co-create the solutions which will provide a pathway for LGEs to contribute to more environmentally sustainable, inclusive and climate resilient economic development in Trinidad and Tobago.



Mermaid Pool, Matura is a popular eco-tourism site in Trinidad. Credit: Nicole Leotaud

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Annex 1: Key informants

The following stakeholders contributed to the CFA study by participating in interviews and/or a focus group session:

Organisation	Name
Civil society organisations	
Youth Business Trinidad and Tobago (YBTT)	Shedron Collins, General Manager
All Trinidad and Tobago Apiculture Cooperative Society Limited (ATTAC)	Bede Rajahram
Aquaculture Association of Trinidad and Tobago	Ryan Mohammed
Green Farm Nation Ltd	Brent Eversley
Tech4agri	Keron Bascombe
SM Solar and Wind Energy Systems	Ruben Ignacio Smith
Luvo Cinematography & Espy Technical Services	Shemeon Williams
RecSmarTT	Cavelle Regis
Green Market Santa Cruz	Vicki Assevero
Greenage Farms	Faariah Khan
Santa Rosa First Peoples Community	Nelcia Robinson
Siel Environmental Services Limited and TEES	Sian Cuffy-Young
My Beach, My Water Ltd.	Babita Dubay
Nature Seekers	Kyle Mitchell
Financial agencies	
First Citizens Bank	Jason Julien, Deputy Chief Executive Officer - Business Generation
Loan for Enterprise Development (LEND) Agency	Annette Moolchan, Manager
Mayaro Initiative for Private Enterprise Development (MIPED)	Rory Jitta, General Manager (Finance) Arvolon Wilson-Smith
National Entrepreneurship Development Company (NEDCO)	Curtis Mayers, Corporate Business Analyst Karen Carrabello, Chief Entrepreneurship Development Officer
Support Agencies	
Caribbean Information and Credit Rating Services Limited (CariCRIS)	Wayne Dass, Chief Executive Officer Dr. Stefan Fortune, Senior Manager Ratings, Research and Training
Ministry of Tourism, Culture and the Arts	Siddiqua Mondol - Tourism Advisor I Jameela Martin - Tourism Officer Jheuel Carter-Guy - Assistant to the Advisor for Tourism Policy
Forestry Division, Ministry of Agriculture, Lands and Fisheries	Dave Samayah, Director, Northern Range Restoration Project Ryal Abraham, Head of National Park Section Raynaldo Phillips, Forester II



Caribbean Natural Resources Institute

The Caribbean Natural Resources Institute (CANARI) is a regional technical non-profit organisation which has been working in the islands of the Caribbean for over 20 years. Our mission is to promote and facilitate equitable participation and effective collaboration in the management of natural resources critical to development in the Caribbean islands, so that people will have a better quality of life and natural resources will be conserved, through action learning and research, capacity building and fostering partnerships.

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