

### Equity & justice

#### Summary

How can we better support local green-blue enterprises (LGEs) as part of COVID-19 recovery and as a pathway to a more inclusive, sustainable and resilient economy in the Caribbean? This policy brief presents key findings and recommendations from a Contextual Financial Analysis on financing and support for LGEs in Trinidad and Tobago. This found that firstly, LGEs require a special legal status and definition to build a more enabling policy framework. Tailored and integrated business development support and capacity building is also needed. Financial products and services must be customised and enabled, including through expanded digitisation of services and financial literacy. LGEs, decision-makers in policy and regulatory agencies, business development support organisations and financial institutions must engage in dialogue and collaborate to strengthen and promote the sector.

#### Key messages

- 1. A special legal status and definition of local green-blue enterprises (LGEs) is needed in Trinidad and Tobago to build a more enabling policy framework.**
- 2. A national policy tailored to enable the LGE sector must be created with a focus on policy integration and inter-sectoral coordination.**
- 3. Business development support services must be adapted to meet the needs of LGEs and be tailored and integrated in their approach to provide financial, legal, advisory and capacity building support.**
- 4. Financial institutions must customise their existing financial products and develop new tailored products to meet the unique positions and needs of LGEs.**

#### Introduction

Micro, small and medium enterprises (MSMEs) make up 70-80% of businesses in Caribbean economies. They are the cornerstone of the economy, providing more than 50% of jobs and contributing to 60-70% of Gross Domestic Product.



Figure 1: Vendor selling products at a local green market.  
(Credit: Green Market Santa Cruz)

<sup>1</sup> Caribbean Development Bank (CDB), 2016. Micro-small-medium enterprise development in the Caribbean: towards a new frontier. [pdf] Caribbean Development Bank. Available at: <https://www.caribank.org/publications-and-resources/resource-library/thematic-papers/micro-small-and-medium-enterprise-development-caribbean-towards-new-frontier> [Accessed 9 May 2022].



### **Box 1: Definition of LGEs by the Green Economy Coalition**

LGEs are 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 are a type of MSME that positively impact on economic, environmental and social development through a specific focus on ‘green’ business models or products (see Box 1). In the Caribbean, many LGEs draw upon the rich natural resources and strongly benefit marginalised communities from which they are created including supporting vulnerable groups such as women, youth, rural persons and indigenous peoples.

LGEs are a critical pathway to transition to a Green-Blue Economy in the Caribbean (see Box 2) and are key to ‘building back better’ from the COVID-19 pandemic to support more inclusive, environmentally sustainable and resilient economic development i.e., delivering benefits for people, planet and profit under the 2030 Sustainable Development Agenda and its Sustainable Development Goals (SDGs).

### **Box 2: Caribbean definition of a Green(-Blue) Economy<sup>2</sup>**

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.

Development of the LGE sector is limited, however, by the lack of appropriate and adequate financing. To address this issue, the Caribbean Natural Resources Institute (CANARI) implemented the Caribbean component of a global project “Civil society participation for sustainable finance reforms: global coverage” which was led by the Green Economy Coalition and supported by the European Union (ENV/2016/380-530). A Contextual Financial Analysis was conducted via desk review, interviews and focus groups to examine the enabling factors/opportunities, challenges/barriers and recommendations towards enhancing financing for LGEs in Trinidad and Tobago. This study highlighted gaps in three main areas: the absence of a defined LGE sector within a weak policy framework, ad hoc business development support and limited access to finance. Addressing these three interdependent focal areas is needed to enhance financing for LGEs.



Figure 2: Market Movers demonstrates their compost bin for waste from their frozen fruit and vegetable products. (Credit: CANARI)

<sup>2</sup> Caribbean Natural Resources Institute (CANARI), 2012. Policy Brief 13: Towards a green and resilient economy for the Caribbean. [pdf] Barataria: CANARI. Available at: <https://canari.org/towards-a-green-and-resilient-economy-for-the-caribbean/> [Accessed 9 May 2022].

### Box 3: LGEs in national policy <sup>3</sup>

The *Draft Micro and Small Enterprise (MSE) Policy for Trinidad and Tobago 2013-2016* provides examples of types of green enterprises and outlines specific policy goals and partnership objectives. The policy seeks to:

- (1) Create new green enterprises
- (2) Support existing businesses whose core activity is economic greening
- (3) Inculcate green practices among all MSEs
- (4) Create a green certification process for MSEs

### A special legal status, definition and policy

The current legal framework in Trinidad and Tobago does not support the unique nature of LGEs. LGEs encompass traditional for-profit structures, as well as non-profit models, collectives and informal community groups. Many are explicit in their commitment to delivery of environmental and social benefits through their business operations. A special legal status and

definition of LGEs is needed. Certification of LGEs as ‘green’ or ‘social’ enterprises can allow for incentives such as tax breaks, enhanced business marketing opportunities and tailored policy support and financing for the sector.

The policy framework guiding the LGEs sector is weak and fragmented. For example, green enterprises and green/blue development are mentioned in Vision 2030 (the National Development Strategy), the National



Figure 3: Local artisans and customers engage in commerce at the New Fire Festival. (Credit: Trinidad and Tobago Bridge Initiative)

<sup>3</sup> Ministry of Labour and Small and Micro Enterprise Development, 2014. *Micro and Small Enterprise (MSE) Policy for Trinidad and Tobago 2013-2016*. [pdf] Port of Spain: Enterprise Development Division, Ministry of Labour and Small and Micro Enterprise Development. Available at: [https://silo.tips/queue/micro-and-small-enterprise-mse-policy?&queue\\_id=-1&v=1630929933&u=MTczLjIwNi44Ni4xMjI=](https://silo.tips/queue/micro-and-small-enterprise-mse-policy?&queue_id=-1&v=1630929933&u=MTczLjIwNi44Ni4xMjI=) [Accessed 9 May 2022]



Environmental Policy, the Roadmap for Trinidad and Tobago Post COVID-19 pandemic and the Draft Micro and Small Enterprise (MSE) Policy (see Box 3). Within this policy framework, over 44 stakeholders from various sectors (government agencies, private sector financial institutions, corporate social responsibility programmes and non-profit organisations) can or do support the LGE sector. An overarching or cross cutting policy specifically on LGEs, with a clear vision for supporting the sector, could provide a framework for integration and coordination across multiple existing sectoral policies to support effective implementation, monitoring and evaluation. A coherent enabling policy framework could enhance and increase support. This must be developed through a participatory process which meaningfully includes entrepreneurs alongside business development support (BDS) and finance providers.

### A ‘one stop shop’ for Business Development Services

Trinidad and Tobago has a variety of organisations providing BDS services for MSMEs (see Figure 5), which include business training, coaching, mentoring, networking, micro-financing and physical workspace facilities for businesses at varying levels of maturity.



Figure 4: Residents in rural communities face challenges of poor infrastructure. (Credit: Natalie Boodram)



Figure 5: Business development services are dispersed among a wide array of support organisations and programmes

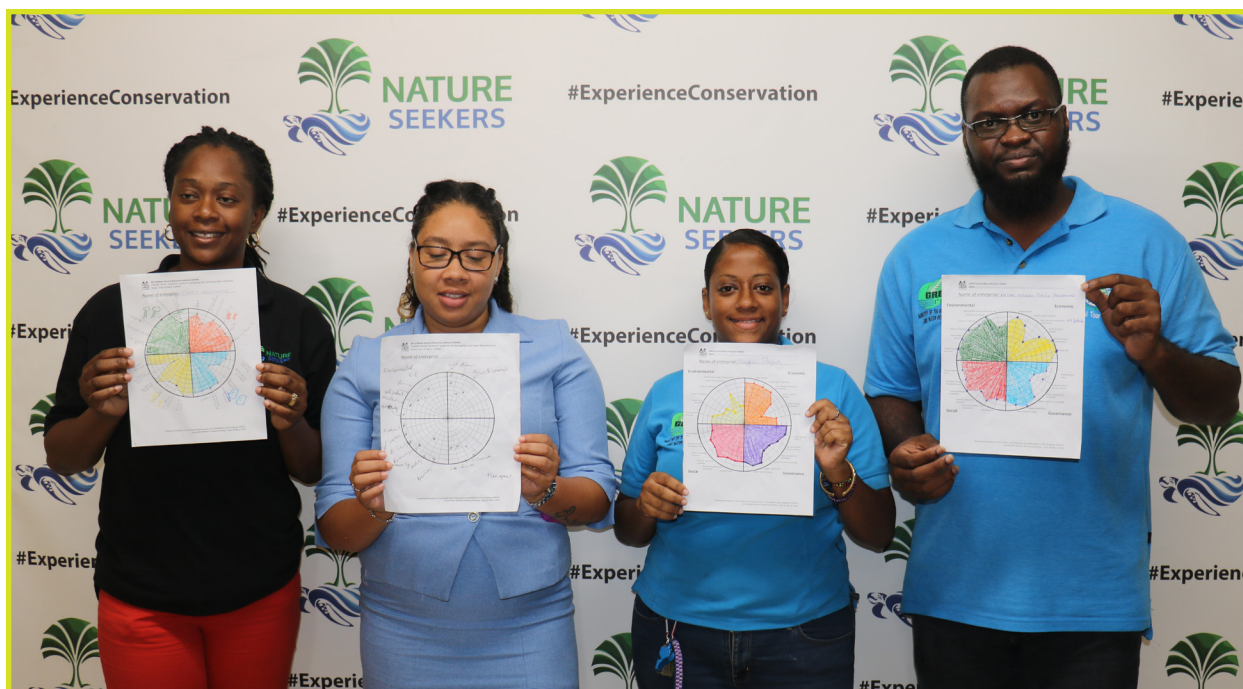


Figure 6: Members of Nature Seekers show the Local Green-Blue Radars from their various enterprises. (Credit: CANARI)

Unfortunately, few BDS providers respond to the unique needs of LGEs. LGEs already face the many challenges common to all micro and small enterprises and the informal sector. But due to their unique blend of for-profit/non-profit status, and focus on environmental and/or social objectives, LGEs face additional challenges in areas such as legal business registration and access to land and natural resources. For those located in rural communities, access to infrastructure, services and markets are additional challenges.

CANARI is distinctive in delivering tailored support for nature-based micro-enterprises (formal and informal) in rural communities. The Institute has developed customised tools such as the Local Green-Blue Enterprise Radar (see Box 4) and a methodology for ‘climate proofing’ of LGEs using a value chain approach. These tools are used as part of a combination of mentoring, coaching, training, peer exchanges and micro-grants to support start-up and micro-LGEs to build their capacity to access other types of BDS services and financing.

Existing BDS providers should tailor their services to respond to the nature of LGE operations and strengthen delivery of appropriate technical assistance, capacity building and advisory services. BDS services

must be made more accessible to LGEs in location, cost and mode of delivery, especially for LGEs based in rural communities. Personnel at BDS providers may need awareness raising and capacity building so that they can better understand operating contexts and needs of LGEs. Overall, the sector can benefit from integrated ‘one stop shop’ services as well as customised services for LGEs.

#### **Box 4: The Local Green-Blue Enterprise Radar**

The Local Green-Blue Enterprise Radar aims to help local community MSMEs, particularly those based on the use of natural resources, assess how they are delivering ‘triple bottom line’ benefits (economic, environmental and social) and good governance, and what are possible areas for improvement. It is a highly visual, self-assessment tool that is used in a facilitated process. The Radar allows MSMEs to better understand their current strengths and weaknesses and how to identify suitable strategies for their enterprises to enhance their own practices, services, products, value chains and relationships.

## Customised financial products through a digital framework

The financial sector in T&T is large but underdeveloped. Lending is limited to government or favours private enterprises in the energy sector. Funding is neither tailored specifically for LGEs nor does it incentivise economic activity that can be described as ‘environmentally sustainable’, ‘green’, ‘eco’, or meeting ‘ESG’ and/or ‘SRI’ standards (see Box 5).

LGEs face many specific challenges in accessing financing. They have a higher probability of being credit constrained due to their small size. Their indebtedness may be above the 33-40% level required by commercial banks. Where financing may be available, LGEs lack the types of ‘business ready’ documentation and traditional assets required by banks. They also may not have persons with the capacity to prepare and communicate financial statements and business plans for approval by banks. Some LGEs may be among the population of women, youth, the elderly and residents in rural communities who traditionally have difficulty accessing financing. LGEs with green/social enterprise business models may require new modes of financing, for example venture capital and angel investing.

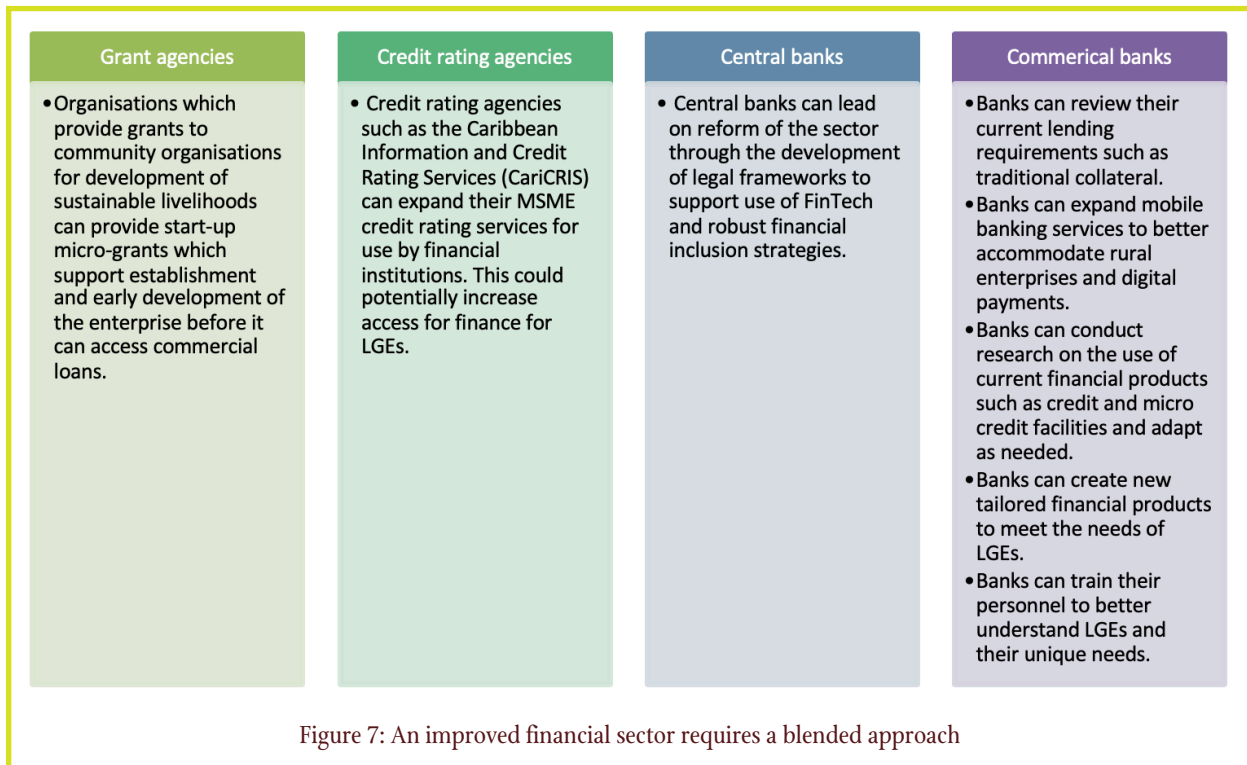
### Box 5: Types of green investment <sup>4</sup>

‘Green’ investment or funding can be stand-alone, a sub-set of a broader investment theme or closely related to other investment approaches and includes:

- Green (eco-friendly, climate change, etc.) investing
- Environmental, social and governance (ESG) investing
- Thematic investing (in green sectors or themes such as water, agriculture)
- Socially or sustainable responsible (SRI) investing

Greater use of financial technology (FinTech) can be used to support LGEs. While mobile and online banking services are available, the sector can benefit from more coordinated efforts to build trust among prospective clients, strengthen financial literacy and develop regulation to promote financial inclusion.

A blended approach can be taken to enhance financing for LGEs with roles for different stakeholders (see Figure 7).



<sup>4</sup> Inderst, G., Kaminker, Ch., Stewart, F., 2012. Defining and Measuring Green Investments: Implications for Institutional Investors' Asset Allocations, OECD Working Papers on Finance, Insurance and Private Pensions, No.24, OECD Publishing. Available at [https://www.oecd.org/finance/WP\\_24\\_Defining\\_and\\_Measuring\\_Green\\_Investments.pdf](https://www.oecd.org/finance/WP_24_Defining_and_Measuring_Green_Investments.pdf) [Accessed 13 May 2022]





Figure 8: Outdoor cooking area at the Brasso Seco Paria Tourism Action Committee Visitors' Facility. (Credit: CANARI)

### Conclusion

Many opportunities exist for enhancing the current policy, legal, regulatory, BDS and financing framework for supporting LGEs. Key to this will be defining LGEs and getting a better understanding of the sector and its unique needs. 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, BDS and financing 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 and the Caribbean.



Figure 9: A display of jewellery made from natural resources. (Credit: CANARI)



Figure 10. Twigs Naturals' co-founder Cheryl-Ann Baptiste chatting with a customer at UpMarket. (Credit: Sasha Harrinanan)



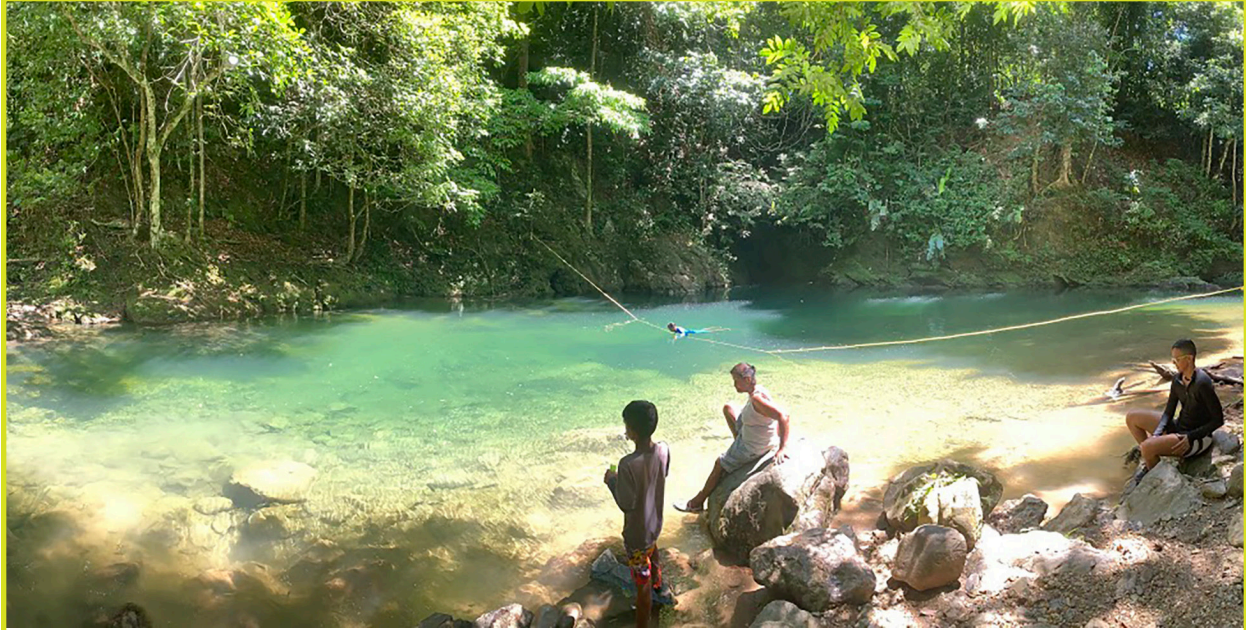


Figure 11: Mermaid Pool Matura is a popular destination for avid nature lovers. (Credit: Nicole Leotaud)

**For more information see:**

Caribbean Natural Resources Institute (CANARI), 2021. *Enhancing financing for Local Green-blue Enterprises in Trinidad and Tobago: Challenges and opportunities*. Technical Report No. 405. Port of Spain: CANARI. Available at: <https://canari.org/financing-lges-tt-report/> [Accessed 31 May 2022]

Caribbean Natural Resources Institute (CANARI), 2021. *Caribbean Local Green-Blue Enterprises: A pathway to inclusive, sustainable and resilient economic development*. Available at: <https://storymaps.arcgis.com/stories/0178763ae63d499298d1feecdc7f3323> [Accessed 31 May 2022]

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## Caribbean Natural Resources Institute

The Caribbean Natural Resources Institute (CANARI) is a regional technical institute which has been working in the islands of the Caribbean for over 30 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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