

## **PUBLIC POLICIES TO SUPPORT SMEs OF THE GREATER CARIBBEAN REGION**



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A central objective of organizations responsible for supporting Small and Medium-sized Enterprises (SMEs) in Latin America and the Caribbean is to improve the potential for growth, innovation and competitiveness of SMEs of the Region.

In light of this, on August 18th and 19th 2014 the Association of Caribbean States (ACS) in collaboration with the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), and with the support of the Ministry of Labour, and Small and Micro Enterprise Development of Trinidad and Tobago held successfully the “Regional Workshop on Public Policies to Support SMEs.”

The Regional Public Policy Support to SMEs workshop saw the participation of government, as well as regional organization representatives in the field of SME development, and was aimed at training government officials on the design, implementation and evaluation of the impact of public policies on the development of SMEs; gaining knowledge about the various successful methodologies applied by countries in the region and internationally; and promoting an ongoing exchange among participants.

Small and medium-sized enterprises (SMEs) are seen as engines of economic growth and employment creation throughout the world. These enterprises are at the nucleus of economic activity throughout the Greater Caribbean, they are among the central pillars for Caribbean success. Though there continues to be some disparity on a common definition of what constitutes a small and medium enterprise, SMEs remain at the core of sustained growth throughout the Region.

Caribbean SMEs account for the majority of existing jobs, and are the generators of most new ones

(jobs). In Latin America and the Caribbean, SMEs represent 90- 95% of the establishments/businesses created in the manufacturing, trade and services sectors. They generate approximately 85-90% of the jobs, and contribute roughly 30-40% of Gross Domestic Product (GDP) of the countries of the Region.

The promotion of Small and Medium Enterprises can be viewed as a viable approach to sustainable development. This sector mobilizes scarce resources and often provides a balance for domestic markets and economies in less developed countries (LDCs). For this reason, SMEs have continued to be one of the most important sectors for Caribbean countries. SMEs represent one of the most realistic vehicles for confronting the challenge of unemployment and poverty in many countries, because they create the link that forms the full circle between productive enterprises and sectors, and offer increased potential for locally relevant product and service innovation.

It has been realized that SME development requires specific drivers, among these is the need for a strengthened framework of legislation, policies, institutions, and public goods that support growth prospects and opportunities within the sector. There must be legislation and public policies which provide the enabling environment; support SME creation, and growth sustenance towards production. An important element in the approach to public policies in the present conditions is the need to promote the development of an environment favouring inter-entrepreneurial cooperation, which encourages innovation processes, thus contributing to strengthening the technical capabilities and improving the management capacity of enterprises. In this way, policies to support SMEs are directly aimed at creating conditions to promote a favourable local environment for productive development.

Workshop participants, alongside SELA experts were focused over the course of two days on the identification of best practices in public policies in the Region, and the sharing of these experiences to the overall development of public policies for the creation of an optimum environment for growth within the SME sector. The SELA consultant presentations, as well as national country presentations from Trinidad and Tobago, Haiti, Brazil, Jamaica and Barbados and others emphasized strongly the critical need for the existence of a facilitating environment for the growth of the SME sector.

The Region in certain quarters offers a positive view, as some Member States indicated that within the national sphere the legislative framework and policy strategy for the sector is being developed, and provides for SMEs through: incentives; (e.g. waiver of customs duties and taxes payable on inputs, benefits under Small Business Development Act); finance schemes (e.g. export credit insurance scheme, enhanced credit guarantee scheme, enhanced credit guarantee scheme); innovation and competitiveness development (e.g. market research and development allowance, exploration of domestic SMEs with high potential for success in emerging markets, linkages of SMEs to global value chains and networks,); and training/capacity building (e.g. special technical assistance programme, special technical assistance programme, adopt and adapt the Small Business Development Center (SBDC) Model.) These represent only a part of the strategies identified by

presenting countries.

Developing internationally competitive firms and enterprises is of major concern within our Region. As a result, internationalization also ranked as high priority among SME support needs. Internationalization of SMEs refers to “a process of innovation that enables SMEs to participate on the international stage as exporters, and which facilitates their access to quality raw materials and other inputs at fair and reasonable prices.” For SMEs of the Region the challenge of internationalization has proved daunting, as these companies face the barriers and constraints of a human resource capacity deficit; shortage of working capital to finance exports; limited market intelligence; difficulty in developing new products for foreign markets; and meeting export quality, standards and specifications.

A key benefit of the workshop therefore, was the space provided for dialogue and exchange among participants, which allowed for interaction leading to the identification of activities essential to the facilitation of internationalization in the Region. The first as highlighted by participants was the need for Coordinated Government and State Agencies, which addressed subjects such as synchronisation of policies between ministries for export and import; training in regulation and standards; and coordinated development funding amongst others. The Coordination of SMEs was another point raised. It was noted that government initiatives to support micro, small and medium enterprises are best deployed to groups or associations of SMEs. This was borne out clearly in the approach put forward by Brazil, which employs Local Productive Arrangements (APL) -, “an agglomeration of companies, located in the same territory, possessing specialization and maintaining interaction, coordination, cooperation and learning among themselves and with other local institutions such as government, associations, banks, credit institutions, teaching and research.” These are also referred to as productive systems or clusters. The use of the SBDC model was also viewed as an integral element in SME coordination, and recommendation to adopt and adapt this approach were numerous.

It is pellucid that the ultimate objective of public policies in this area is to boost dynamism in enterprises and economic and business sectors so that they can increase their competitive capacity and efficiently respond to the dynamics of markets. In addressing SME issues at the regional level, the challenge lies in bringing all the initiatives together in a cohesive manner. As it relates to public policy, policy guidelines should: foster systemic interaction; promote the strengthening of productive and innovative capabilities; be cohesive and coherent in relation to local development and consider economic, political, social and environmental implications and impacts. The work on SME promotion and development continues within the Greater Caribbean Region, and the Association of Caribbean States, through its Thematic Directorates, executes projects and initiatives geared towards the support and growth of the SME sector within the Greater Caribbean.

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