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SURVEY OF SMALL BUSINESS

IN

ANTIGUA

ANTIGUA COUNTRY REPORT

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ANTIGUA COUNTRY REPORT

"In framing an ideal we may assume what we wish, but should avoid impossibilities." - Aristotle, Politics

Summary and Conclusions

This report is based on two sources of information: (a) a field survey of small scale productive businesses in St John's, Antigua, W.I., conducted between January 13-24,1985, and (b) secondary information obtained from interviews with development assistance organizations, documents prepared by The World Bank, IDB, AID, OECS, etc. as well as the manuscripts and memoranda pertinent to this study prepared by local private sector institutions.

The **purpose** of this report is to inform and advise the RDO/C and other interested parties on the kinds of constraints and opportunities which confront small businesses in Antigua, and by inference Barbuda.

Methodology

A purposive sampling approach was applied to select the businesses surveyed. A street by street canvassing of existing businesses yielded 72 observable units in the inner core of St. John's. Seven enumerators contacted 77 businessess during seven days. The enumerators were monitored by the principal researcher on a daily basis. Selected questionnaires were followed up by the principal researcher to ascertain the veracity of the information obtained.

The design of the questionnaire does not permit a wide level of measurement of the variables observed. For the most part nominal level measurements are made. The reason is that there is no assumption made about the ordering or distances between categories. For example, the type of the business is a nominal variable, or "how did your business start," is another.

There is no inherent ordering among types of businesses implied by such a variable. We did order types according to size, gross sales, sex of owner and amounts of assets, these are different concepts from "type of business". Whenever a number is ascribed to a nominal category, these numbers are used as symbols that can be read by a computer. The properties of the real numbers, add subtract, etc. cannot be transferred to numerically coded categories. Therefore, statistics that assume ordering or meaningful values between categories are not applied.

Whenever it was possible to rank order a category according to a criterion, ordinal level measurements were made.For example, "educational level" can be categorized in a unique position of lower or higher in value. Those with primary education are "lower" in educational level attained than those that completed 11 or more years of formal schooling. The problem here is that the distances between the "primary" and "secondary" tells us

little about the ability of the individual business person to adequately manage his/her business.

Conclusions

If one excludes the retail businesses from the target population that was surveyed, one is left with about 150-180 small businesses in Antigua. An estimate of the total number of retail enterprises would yield about eight times the number of productive enterprises on the entire island. Larger firms that produce exports amount to little over 30, employing close to 1000 persons (Export Survey). Smaller productive firms designated as Small Businessess, (SB) for the purpose of this study employ approximately 400 persons island wide. The total labor force is estimated at 22,000 by the Antigua-Barbuda Ministry of Finance, Statistics Unit.

As one can appreciate, the impact on employment generation that this sub sector has on the overall development of Antigua, is relatively small. When we project the potential for expansion, the scenario is different. Strengthening of the sector by means of credit extension , improved technical assistance and communication, appears to satisfy an expressed need, and the effects in the long term may impact on the sustainability of small firms to generate new jobs.

Cultural biases about work ethics and productivity tend to constrain the expansion of SBs throughout the island. Credit is needed, yet does not seem to be the most critical component. Most of the respondents (76%) stated that better access to markets would have a positive effect on increasing their income.

Export and import policies tend to inhibit trade and free access to markets. Coupled to this constraint is the dependency on imports that most small firms have.

Alternatives have not been sought to address the informal business sector as a whole because the scale of the sector is so small in comparison with the key tourism sector.

Training of persons in the private sector institutions as well as parastatal institutions that deliver assistance to the small firm is a key objective in the development strategy proposed. The need for managerial training in operating a small enterprise was expressed by 64 percent of those interviewed. Record keeping is seen as a need, but from discussions and initial analysis of the raw data other techniques are equally lacking among SB owners and operators. Chief among these are production technologies and product development.

Private Agencies Assisting the Small Firm

There are six institutions that are currently extending a verifiable service to the SBs in Antigua: The Women's Desk;the Caribbean Conference of Churches, Meals for Millions Foundation;

International Voluntary Service; Peace Corps, and to some degree the Antigua Barbuda Development Bank.

There are twenty-nine (29) private voluntary institutions registered in Antigua. (See attachment). Many are religious organizations offering limited help and their programs are specific for the group they serve. For example the Rotary Club, credit unions, Anglican Mothers et. al..

The Chamber of Commerce is suporting the establishment of a credit intermediary institution, a national development foundation that is in part supported by an AID project.

Enterprise Opportunities

Import substitution small scale projects have been devised over time with varying degrees of success. The so called "tray industry" that supports the larger tourist industry has potential for improvements. While no specific opportunities were identified during the course of this study, the ideas discussed in Section 4 merit consideration. Electrical repair and machinery overhauling opportunities show strong promise. Food production alternatives are being tried on such a micro level that self sufficiency will not be achieved in the near term. Vegetable and fruit production thru family garden plots is a good possibility.

Impediments to Growth

The main constraint verified is the smallness of scale of the marketplace. Antigua alone cannot achieve the critical mass necessary to undertake a vigorous effort required for small firms to "take off." Dependency on imported materials for production as well as equipment limits the growth potential of the small firm as well as of the larger firm.

The labor pool is not sufficiently skilled to make significant contributions to productivity. The training facilities that are available to the SB simply are inadequate. There is little cross fertilization of ideas despite an emerging younger entrepreneur that has travelled off island and is aware of the modernity that surounds him/her.

Lack of financing is an often cited need that limits expansion of the firm. Limited market access for locally produced goods and services has constrained the growth of the sub sector.

Mangerial know-how was observed to be the most prevalent factor restricting the firm's growth. There is no lack of desire to improve production, the constraint is in how to do it. This is supported by the manifestation that most owners are satisfied with their lot and do not wish to get bigger. While this may seem as a contradiction, the meaning behind the non-growth statement is that the person does not know how to grow. Rather than risk failure, inaction preserves the status quo .

I. Background and Summary

A. Socio Economic Setting

In the year 1793, the City of St John's encompassed an area of 13 short blocks beginning from Dickinsons Bay Street on the North to South Street. From East Street one could walk 9 blocks westward to Mariner's Cove and watch the sunset.

Nearly 200 years later the inner city has only grown to four times the original size. By contrast, other Eastern Caribbean cities have experienced a tenfold growth or more, as is the case of Bridgetown, Barbados.Most of the new build space can be found in the resort areas near the beachfront. The town dwellers for the most part remain outside the new burgeoning development that during the last decade have created an enclave tourist based economy.

The significance of this growth pattern to this study is that the remaining built stock of housing and commercial space is now in a period of deterioration, limiting the expansion opportunities for the poorer enterprise in the inner core of the city. As with most colonial cities of the Caribbean, trade and commerce takes place in the inner core. This deterioration is in part due to aging, but mostly due to neglect. Land use patterns have changed as a result of the newer light manufacturing activities that are sited near the airport and in the new industrial park.

Evolution of the cityscape

Historians break the development of Antigua into four periods: (1)"Colonization and development" begins with the first settlement in Antigua in 1632 and spans the period to 1748 marked by the peace of Aix-La-Chapelle. (2) The second period is referred to as "maturity and wealth" spanning from 1748 to 1848, a period of peace that allowed for commercial and agricultural expansion.(3) The third period is characterized as one of decline when the sugar industry begins to drop off and free trade is introduced in England. This period ends with the Second World War.(4) The modern, or current period is perhaps the most impactful on the economy of Antigua. Caribbean independence movements begin in the early sixties, tourism takes off as a competing industry and trade unions begining to develop. High energy costs and inflation lock the nations into a perpetual state of dependency on foreign markets, goods and services.

The era of "maturity and wealth" produced many of the existing structures that give St, John's its physical character. The typical building dates from the 19th century. A one and a half story house, often with the lower floor made of masonry containing cellars or storerooms with outside steps leading into the living quarters. Two story frame structures reminiscent of colonial architecture found in New England dot the cityscape.

The introduction of concrete block construction altered the ver-

nacular architecture of the past with block modern style. Little by way of compatability with the colonial architecture has been erected resulting in a crowded feeling of buildings competing for street space. There were two major fires in St John's, one in 1796 another recorded in 1841. The building stock was replaced with the archetypical West Indian cottage and used for both residential and commercial purposes.

The restoration of prestigious historic structures that remain are attributable to efforts following the earthquake of 1974. After the quake of 74, many old buildings simply were demolished giving way to the block construction that has changed the character of St John's.

Fortunately, the slow pace of growth during the 1970's kept many of the vernacular structures as they were. However, with the current growth stimulated by resort construction, the expansion of the inner city is just a step away. The challenge is how to design that cityscape so that the small scale business can have a place from which it can thrive. Social integration is enhanced through the vigor of the corner store as a meeting place.

B. Problems of Small Businesses in Antigua

The smallness of the sub-sector is perhaps the major problem faced by SBs on the island. Competition is limited so firms are not forced to take large risks or expand their operations. Behind this superficial explanation for the lack of vigor, is the satisfaction among those SBs interviewed have with their current lot. Need for achivement is not the qualifier describing the small firm.

A common statement made by those surveyed was that there is little encouragement from peers and clients to seek change in the way things are produced. This is in harsh contrast with the modernity and progress found in the resort areas of the island where larger hotels and world class services are available to the tourist. Cross fertilization of ideas and methods of organizing has not occurred in the small business sector.

A conservative attitude about business behavior has been advantageous in some instances and restrictive in others. The plantation lifestyle wherein the"boss" is the caretaker of the people that work for him has carried over into the current work ethic. This is not to say that people shun hard work, but to suggest that their perceptions about productivity must be changed if the development strategy for the SB sector is to have a permanent impact.

C. Proposed Projects and Ideas

A combination of credit and assistance services will need to be organized to more directly reach the smaller firm in Antigua. Venture capital for SBs has been proposed in other parts of this study as a means of expanding the growth potential of the firms

targeted. This scheme should be proposed to private sector leadership in Antigua and Barbuda.

A regional training center will need to be established or a current facility strengthened that would provide courses, skills training, marketing, and finance seminars specially tailored for the entrepreneur identified in this study. Modern, appropriate to the culture, educational learning approaches must be introduced into the curriculum of this training facility as a matter of design.

The linkages that intermediate goods create during the production process will need to be further explored. From the survey data and interviews, this linkage could not be analysed. Agribusiness development ideas have limited expansion opportunities for local producers who depend on island sales only.

The smaller firm is constrained by the kind of support available to it and the market for services it offers. Since the analysis of the Antiguan economy indicates heavy dependence on the tourist industry, the provision of services becomes the area of focus. Cleaning crews that are individually operated and sell their services to large hotels is one idea that could work.

D. Extent of Local Institutional Support

Of the twenty nine private sector agencies operating in Antigua and Barbuda at the present time, only a handful are effectively delivering services. The focus of the Womens Desk and the Meals for Million Program is young women " farmers". International Voluntary Services(IVS) is also focusing its efforts on development of youth programs to assist entrants into the workplace. The level of activity is low.

Only IVS has a base in Antigua that is preparing to serve the Eastern Caribbean. Peace Corps Volunteers have dwindled during the past few months from about 26 to 8 as of the time of this study.

II. EXISTING SMALL BUSINESS ENTERPRISES IN ANTIGUA

A. Introduction

The objective of the field study was to arrive at a profile of the existing small businesses in Antigua, and examine the conditions that constrain the growth of the sub sector. A sample of 77 existing enterprises from the subject population in the city of St. John's is the basis for the analysis. The subject population comprises the productive enterprises that have assets under EC$ 50,000, employ less than 10 persons and have annual gross sales under EC$ 100,000. Retail firms were not included in the sample population, even though these businessess represent the majority of enterprises on the island. For the purpose of this study, retail trade was considered as a non-productive activity that does not contribute directly to Gross Domestic Production even though it employs workers.

Larger firms in light manufacturing were not included because these firms have access to sources of assistance that the smaller firm does not. A survey of these larger firms was recently conducted by the CAIC export promotion study .

There are limitations on the kind of statistical manipulation that the survey data permits. These problems are discussed in the methodology section. For the most part, the analysis is based on impressionistic information about the behavior of the firm.

B. Conclusions and Observations

The behavior of small enterprises in the informal sector of Antigua is no different from others in the region. The problems they face are identical to those identified in other Eastern Caribbean islands. Most all inputs to the production process,such as materials and semi-finished goods are imported from outside the region. The most significant characteristics of the small businesses (SB) are their scale of operation. They are labor instensive and their capital input requirement is generally low compared with medium sized light manufacturing firms, consequently, their credit needs are not as large. A loan of EC$ 500 can help the micro firm get to another level of production, whereas a loan of EC$ 10,000 would be needed by the medium sized manufacturing firm to get to its next level of growth.

The SB operates within the private sector of the economy which accounts for the employment of approximately 12,000 persons. The informal private sector accounts for a much smaller share of the total sector. The size is estimated at 1200 jobs, 66 percent of which are in the services sector. According to the statistical abstracts published by the Social Security Board of Control (1976-1981), out of a labor force of 23,000, only 10 percent of all people working in Antigua and Barbuda are self employed. Private sector employs 45 percent of women while the public sector employs 38 percent. There is no distinction made between informal and formal private sector in the published statistical

data.

Unemployment and underemployment data are not reliable.Estimates ranging from 20 to 22 percent of the total economically active labor force are counted as unemployed. This figure does not account for the intermittent (seasonal) nature of work on the Island, or the structure of unemployment. Government is the employer of last resort and many persons depend on part time work outside of government for their income. The services sector represent the employment source for about 66 percent of the labor force, manufacturing 16.4 percent and construction 15.7 percent.

From these data, we estimate the informal sector target population to be about 1200. The study accounted for only 200 part time and full time jobs.

By comparison to larger Caribbean islands such as Jamaica, the informal small scale sector is not as vigorous.Self employed labor in Antigua includes the professional, technical and business persons who represent 60 percent of the 2300 jobs.This leaves close to 920 distributed among fishermen and farmers (12 percent), taxi drivers (10 percent), street vendors (11 percent). The remaining 7 percent comprise the largest share of the target population of this study, around 160 jobs.

C. Survey Findings

1. Focus of Study

The focus of this study was on the smaller scale firm. By definition, this limits the kinds of enterprises surveyed to those that by their scale qualified as respondents. Excluded from this category are those firms that have sales volumes greater than EC$ 100,000 per year. Though many medium sized firms could fall into the study category, these firms were not highlighted in the study population. As a result the variety of firms interviewed is not diverse.

2. Profile of A Small Business

A typical category of products and services provided by the small business yielded the following kinds of enterprises in Antigua:

- Bakeries
- Tailor shops, dressmaking
- Wood crafts
- Auto repair
- Electric and mechanical repair
- Shoe repair and leathercraft
- Pottery, straw work
- Transportation

The services category of businesses surveyed was 36 percent of the total, accounting for approximately 65 full time jobs.

Gross sales for 1984 reported by 26% of respondents is estimated at EC$ 1,199,000 for 1984; EC$ 1,348,000 for 1983, and EC$ 844,000 for 1982. While these amounts are not statistically significant, they do give a general idea of the sales volume of small businessess in Antigua. Assuming that total sales are twice the amount, one can appreciate that the total volume of sales is relatively small. This subsector accounts for about than EC$ 2 million annually. Many respondents did not have sufficient financial information about their businesses to provide reliable figures. Moreover, 74 percent did not respond at all to this sensitive question.

The number of contracts is also very small. The majority (96 %) of the services firms interviewed do not have any contractual arrangement to sell their services to any particular buyer. Those few that have an "arrangement" worked out with either a buyer or a supplier to be sole providers of a service, have not entered into any long term commitment.

The sources of financing that the services SB obtains is mostly through friends, family and in few cases the development bank or a commercial bank. Formal borrowing is practiced by only 40 percent of all the businesses surveyed.

Technical assistance is usually obtained through an intermediary institution, but for the most part it is obtained through a friend, or trusted relative. Trial and error distinguishes the production technology used by the services small business in Antigua. The Antigua Barbuda Development Bank offers some assistance in production technology but this is geared to the larger firm that was not included in the sample because of its larger scale of operation.

In terms of needs for assistance the responses were predictable. The need for larger markets where their services can be sold is high on the list. Lack of technically competent labor is another stated need. Business know-how is lacking and finally credit for expansion is the most often mentioned need.

In the course of the survey, the tabulation of responses was complicated by the distinction that some enumerators made between needs and problems. The respondents were more comfortable in describing their needs than identifying their problems. This is not an unexpected reaction since the definition of the problem that affects their ability to earn more is illusive even in more sophisticated societies. It is easier to determine a need than identify the reasons why more profits cannot be made.

The average number of employees that a small firm employs is two. Although some firms employ as many as 32, this figure represents an anomaly.

The capital base of these firms is relatively small when contrasted with the medium size, formal sector firm. The reason is that larger scale firms tend to make higher capital investments in equipment, and labor. For example the average SB in Antigua has EC$ 5,840 in equipment assets, EC$ 500 in materials and EC$ 100 in inventory. While these figures represent averages, the point to be made is that the capital base is small.

The informal sector small scale firm has a loosely formed legal structure. When a person can one day decide to go into business, he/she simply buys some material and begins to work. Legal partnerships are uncommon. When a partnership breaks up, the distribution of assets can be complicated, often resulting in complete collapse of the firm.

Production modes are characterised as "traditional". Little technology is used by the small firm. This is not to imply that small firms are not ready and able to absorb new technologies. Their lack of access to technical innovation is limited and therefore the owner is unaware that a labor saving device can be introduced. Intuitively, the owner is capable of applying production technologies that increase his output.

Other than the mechanised firms, such as the Sealy Matrress Company that employs assembly line techniques, the firm in our sample assemble their products inefficiently. Many shops are dark, crowded, poorly ventilated and lit.

3. Constraints to Small Business Growth

Scaling up is a term that is currently being associated with the phenomenon of how to induce growth in the informal sector small scale firm. The assumptions underlying this developmental objective is that by increasing the size of operations of the small firm, more employment opportunities will be created. The AID funded PISCES study clearly points this out as the raison de etre of focusing development assistance on this sub sector of the economy.

Following are the categories of "impediments" that respondents identified as their principal constraints. For purposes of analysis, they have been categorized into the following grouping:

Raw Materials: need help in obtaining materials in the area of where to buy and wholesale purchasing.

Equipment: More modern equipment needed. Replacement of antiquated equipment. Need for tools and equipment in general. Need facilities, buildings, etc. to operate businesses.

Credit: Financing for the purchase of additional and more modern equipment. Financing for expansion purposes as well as better buildings in which to operate. Financing for purchase of raw materials and cash flow.

Accounting: General bookkeeping skills needed as well as simple record keeping and accounting systems.

Labor Pool: Shortage of labor. Once work force is trained by a business they move on. Trained and/or skilled labor is a problem.

Infrastructure: Power failures, un-availability of water and weather conditions (rain).

Management & Marketing: Need for general business knowledge. Marketing and distribution advice greatly needed.

5. Role of the Small Firm in Antiguan Society

Informal sector firms that are organized to respond to a local need play an important role in any society. These are the sources for services, products and meeting places that contribute to the cohesion of the society. Jobs are created by individuals who tend not to depend on a salaried job source. This entrepreneurial spirit is the anchor of stability in the informal economy of Antigua.

A respondent who owns a auto body shop mentioned that he sees his role as a provider of a unique service to all the taxi operators on the island. He is able to repair and paint autos from the street in front of his shop at a much lower price than the more established shops. His clients are young car owners who do not have the means to pay for costly repairs. Apprentices also are able to learn a trade in the informal setting of a street garage.Usually those apprentices who want to learn take the time to help the owner sand and dismantle the vehicles in preparation for painting. An educational role can be attributed to this operation, and provides a much more direct way of teaching auto mechanics without the cost of a vocational school. This is the socializing role of the small firm in the society.

The products of a small firm, however, are not always less expensive than those purchased from a larger firm.

From the perspective of managing the assistance that will be directed towards the small business by local private sector institutions, the relationships with the community are worthy of consideration.

The pattern that has emerged in development programing in the Eastern Caribbean has been similiar to that experienced in other parts of the Third World. Programs are designed by "experts" at the national and regional capitals,and implemented by government personnel hired to serve a group of "beneficiaries". Seldom has it been presumed that the beneficiaries would themselves have any role beyond simply using the services offered."(Korten, p 181,1983).

There is an inherent weakness in this approach that is being rectified through the medium of "policy mandates" and project design approaches. Mandating a change, however, does not guarantee that the desired results will be achieved. In Antigua this weakness in public sector planning became evident during the survey. There was little evidence that the owners or operators of small firms had a role in formulating the decisions that affect their livelihood. When one considers the role of the small busisness in the social fabric of Antigua, the importance of the firm becomes central to the vigor of the city and the environs.

6. Capability of the Small Firm

Small firms serve specialized, geographically focused markets. Only when their operations expand, can larger markets be reached. The firms surveyed did not have a formalized plan that would guide them in marketing their products or services. Some of the more advanced enterprises had well designed signs, the owner had a calling card, but none had a brochure explaining what services or goods they offered. This is not uncommon for the sector. Word of mouth is the means through which a small firm gets itself known.

Sophisticated advertising efforts are simply not characteristic of the small firm. This is not say that the owner is not capable of adapting improved methods that can increase sales and profits. Perhaps the careful thoughts of a resident expert who works as a Peace Corps volunteer best sum up these ideas that hit on marketing, advertising and the spirit of capacity touched upon in this study: Art in Antigua and the rest of the Caribbean, "does not suffer from lack of talent or ability. Rather, it's hampered by too little stimulation and the lack of exposure to good examples. Art books and magazines and pieces of art are hard to bring in because of high shipping costs and the vagaries of local customs people." (JGray,1984).Lack of exposure and contact with the outside world is one missing stimulant to growth.

Among the younger entrepreneurs surveyed, a definite change

in attitude was perceived, that distinguishes the small firm run by a younger person from that run by an older one. The younger person has sought exposure to off island markets. Many interviewed had travelled to the Virgin Islands, Puerto Rico and Barbados if not the United States, Canada and England. This sense of awareness is a very positive sign that can support a well focused assistance program for the small firm. Through exposure, the capacity and capability of the smaller entrepreneur can be expanded. This is a function of the training program proposed for the entrepreneur.

As a potential employment fount, the small firm is in a strong position to generate additional jobs. Capital intensive industries may generate more jobs per unit, but the cost is estimated to be ten times higher (PISCES Report, 1984).

Needs For Growth

A central theme of this study was to arrive at the constraints and the needs of the small enterprise in Antigua. From the survey results these are the expressed categories of needs:

- Advertising and distribution assistance.
- Financing for tools and structures.
- Accounting and record keeping instruction.
- More skilled labor.
- Wholesale purchasing of supplies.
- Cooperation of government in expanding their operations.

The design of the assistance delivery system must take into consideration not only the needs expressed here, but also the cultural adaptability of the system to the users.

A respondent who operates an auto repair shop at North Street and Fort Road in St. John's indicated disillusionment with "white men managing and owning businesses in Antigua using rules and standards of their own countries and not really caring about Antigua." This commentary points to the need for change in the approach of giving by those who have something to give. The resentment felt by the Black population is deep. Private sector investments outside the influence of the proposed project will be difficult to control with respect to the approach they apply. Any investment scheme implemented by the project will have to be sensitive to the sentiments of the Antiguan lower income participant.

III. Institutional Resources Available to the Small Business In Antigua

A. Analysis of Current Assistance Programs

There is very little by way of institutional support for the expansion or sustainment of the smaller firm in Antigua. The main weakness stems from a lack of focus, adequate financial,and technical resources as well as appropriate culturally sensitive approaches for delivering assistance.The few institutions that offer assistance have not refined their services to the point where a systematic study could be made and produce significant results.

Government programs are well intentioned but difficult to implement. Several small firm owners expressed the sentiment that the government bureaucracy was cumbersome and inaccessible. In part this can be attributable to the rigid standards that make access by the inexperienced business person difficult to ask for assistance. In fact, the reason that the Antigua Barbuda Development Bank, (a parastatal institution) offers assistance to loan applicants is to prepare the loan request. There is little by way of production assistance that the Bank offers to the small scale firm. Filling out the loan applications and providing financial information is seldom preceeded by an analysis of the technical capability of the firm.

This paucity of information may account for the high payment delinquency record that the Bank reports. A reason stated is that the Bank is understaffed; a common complaint voiced by other government institutions.

The Women's Desk

The case of the **Women's Desk** best exemplifies the results lack of adequate resources can have. The services offered to firms operated by women is negligible. With an annual budget of only EC$ 10,000, many of the training programs cannot be provided. Training young women to better manage their homes, income and garden plots is a commendable idea, yet here is a combination of nutrition education, farm management and handcrafts instruction that cannot scale up because government does not have the sufficient either interest and/or money to properly fund the Women's Desk.

The Director, Mrs Gwen Tonge, is a grand dame of St John's. She sits in Cabinet meetings and holds her ground against an all male cabinet of ministers. She has the smallest budgetary allocation of all. Her office is about 150 square meters, there is no space for looms to be set up, tables for sewing classess are crammed into a corner next to the elbow of the Director. Classes must take turns using the interior space of the office. A Peace Corps Volunteer is assigned, but has little materials to work with. As a sign of interest, the government donated bolts of surplus Island Cotton for clothing. Some was so dirty it could

not be used, and some too brittle for the spinner.

Partners of the Americas sister city of St. John's is Rochester NY. Efforts are underway to supply the Desk with much needed equipment and technical assistance. The Partners is interested in self reliance training programs that reach young women.

The Ministry of Economic Development

Small enterprise development is considered a "grey area to us" reported Mr.Eden Westin, who heads the industrial development unit of the Ministry of Foreign Affairs, and Economic Development. The title of the Ministry suggest the importance accorded the economic development in general. Grass roots development is simply ignored by the major thrust of government actions. There is no denying this lack of attention by ministry officials, the resources have been directed to the larger scale investment programs Antigua is currently pursuing.

On the plus side of the assessment, the Ministry is pursuing what it calls the "Antiguization" of new development programs. This means, inter alia, that government wants to induce local investors and entrepreneurs to get involved in economic activities from small to large businesses. Government is willing to assist where it can to get projects started by providing the following services:

- Project preparation
- Funding for new projects
- Tax consessions, holidays
- Subsidized buildings
- Duty free entry of production materials
- Incentives to replace used equipment
- Product protection for start up

The main concern that emerged from these discussions is whether or not the smaller firm could reap the benefits that larger enterprises do.

Caribbean Council of Churches

Ms. Ingrid O'Marde is the Sub-regional Coordinator for the CCC. The program it offers to the small business are limited by the constraint on resources the CCC has. Their program emphasis is on:

- Small plot farming

- One person craft development

- Women's Project

The family business is a tradition among Antiguan women. CC is trying to link with this tradition when designing courses to develop managerial capabilities among small business owners who are women. Given that most women run businesses are not high risk takers, confidence building training is being provided.

An aspect of women development projects that has not been adequately highlighted is the break from tradition that the new entreprenurial woman thrust implies. The role of women in the Antiguan society is traditionally one of subserviance to the male domination in business decisions. The treatment that commercial banks accord to women borowers serves to explain the difficulty that women have in obtaining credit.

An example is the case described by Ms.O'Marde where a woman finally convinced a commercial bank that she could manage a bank account and should have checking priviledges. The woman was issued a checkbook and the funds she deposited were not transferred in time to cover the first check she wrote. The businessman that got the check returned for non-payment refused to to business with her again. The question was posed: How come a man can run an overdraft and the bank will allow a day to pass without penalty, while a woman is penalized? The self confidence of the woman is reduced by incidents such as these.

Confidence building training is the answer proposed by CCC. New ventures worthy of consideration are handled by member churches in the CCC assistance system. Identifying who really needs help is a problem that is being attacked. Additional staff are needed, but budgetary constraints limit the number of new staff that can be hired.

There is no inter-agency coordination on lending for small business development. A request is funded on subjective criteria that often results in lossees rather than gains. But they all even out in the end, was the conclusion reached by the CCC.

International Voluntary Services

IVS in an international non-governmental organization that has recently set up operations in the Caribbean. The base is in Antigua, Mr. Gerald Hildebrand is the regional director.

The IVS Caribbean program is considered a "unique endeavor in many respects." It is a regional program serving five islands: St. Vincent, St Lucia, Dominica, Antigua and Nevis. Each island will have an Advisor with a complimentary skill drawn from locally defined program priorities. Post harvest technology and marketing, financial management and planning, small business development, women's income generating projects and job skills training for youth. Each advisor will operate individually and a

member of a multi-disciplinary mobil team that can travel to any of the participating islands.

Each participating host organization will provide in-kind investment for program operations, such as office space, equipment and ground transportation. The host organization will assign a local counterpart to work closely with the resident advisor. Each island government has been asked to provide housing for the Advisor. The progam is scheduled to be underway in early 1985.

Meals for Millions

This nutrition education and feeding program is headed by one of Antigua's most active and progressive momen, Ms Ruth Spencer.

The model for development pursued by MFM is to grant initial funding to a reliable local individual and allow that individuals to formulate a local program befitting the conditions of the country.

The focus of the work is gardening of Director plots. Unlike the Women's Desk gardening programs, the MFM is personally involved in demonstration projects and teaches young girls how to use farm tools. They have little problem in getting people to work the fields and are over solicited for openings in the project.

MFM intends to directly serve low income peoople and has doubts about the "grass roots approach" of the NDF because "the board membership represents the elite banking/lawyer community." They are very optimistic about expansion of programs and would like assistance in training methodologies and additional funding for programs and technical assistance.

Mrs. Spencer is currently conducting workshops to train young women in management skills. Her idea of coordination planning and project organization is one that includes people directly from the region and is truly indigenous.

B. Delivery Criteria

The assumption that government agencies can deliver assistance to small businesses in Antigua is based on the belief that the agency has something to offer to improve the livelihood of the firm. While this may hold true in cases where financial assistance is available, the assumption tends to expand to include the notion that knowledge about what is good for the firm is an exclusive property of the agency,not the people it serves. This behavior has created barriers to the participation of people in project design and implementation. A criteria that should govern future delivery systems is that participation of the affected groups must be factored into the major decision making

at the onset of a project design

Admittedly this is a difficult problem to resolve since any active behavior on part of project beneficiaries is likely to be construed as unnecessary meddling.

The second criterion is the amount of focus of the program on the small firm and its needs. Any program, private or public, will need to focus directly on the kind of assistance that the firm requires for its sustenance and eventual growth.

C. Alternative Approaches for Providing Assistance

Assistance to the small firm is the concern that RDO/C has identified as requiring more in depth examination. The problem has been that both government programs and donor funded projects have not been as successful as expected in reaching the firm directly. There are several reasons for its lack of reach. One reason is the operational mode under which many projects in Antigua function. Technicians who are responsible for project implementation do not make a practice of working closely with beneficiaries to ascertain their needs. The institutions that offer assistance have positioned themselves in a way that isolate the giver from the reciever.

The constraints that were discovered during the course of this study were typical of the region. They were: absence of small business community institution, poor communication facilities, absence of organizational and management skills, factionalism and, misuse of resources. This is, of course, a list of only the major contraints.

Research in the ways that development assistance programs can better reach the intended beneficiaries has been conducted by many practitioners as well as applied researchers in the field of development planning. Once the more practical solutions has been devised by Korten (1984) in a series of papers and publications addressing the phenomenon of non action. Much of those ideas have been incorporated in the theory framework used in the analysis of the institutional capability.

IV. Small Buiness Opportunities in Antigua

Agribusiness

With the drop in sugar prices in 1972, Antigua has slowly begun to diversify its crop production. Unfortunately, not enough has been done to encourage cashcrops such as vegetables and fruits. Dominica is the primary producer of fruits and vegetables consumed in Antigua. The draught of 1984 diminished the initiative that was begun in 1981 to begin producing crops for local consumption.

In the support industries that contribute to agricultural production there are a few opportunities that are worth exploring. Small sized high yield farm plots could be developed following the pattern already set up by the Women's Desk and Meals for Millions. There is large demand for fresh fruits and vegetables on the island. All the hotels and restaurants consume large volumes of produce, most of which is imported. Capital investment would not be high, around EC $300,000 for a series of demonstration plots. Farm equipment and irrigation systems would be needed. Seed and fertilizer is the other component that would be required. Training of small farmers should also be included as part of the investment.

Light Manufacturing

The wood crafts industry is very small in scale compared to neighboring islands with populations exceeding 100,000. Four plants are currently producing cabinets, desks, chairs and shelving for hotels and offices. The volume is relatively low and geared to satisfy local consumption. Cabinet makers and woodworking shops produce household furniture for the domestic market, again the volume is so small that large investments would be required for scale up.

Exports are restricted because the kiln dried lumber and milling processes are not developed on the island sufficently enough to meet export demands. Furniture and other woodcrafts are restricted by ths input to production.

An investment of close to EC $1 million would be required to begin treating, drying and milling raw lumber for finished products. The raw lumber would still have to be imported from either Trinidad, Guayana or the United States and Canada. The lumber imported from the U.S. is usually already standarized, treated and graded.

Welding and ornamental work is another opportunity worth exploring. There are a few welders on the island that have the necessary skill to manufacture good quality products. Their work is mostly from repairs of existing equipment, or ornamental iron work for residential uses and commercial establishments. A potential exisits for off shore work for qualified machinists, welders and engine repair.

The garment industry is one of the most prolific of light manufacturing enterprises in Antigua. This is because many women are trained in sewing cloth. Skill levels are quite good, but opportunities for expansion are governed by the larger off island manufacturers.

Sewing machine equipment repair is an excellent opportunity that can complement the budding garment industry. A centralized repair operation for medium and heavy equipment offers an attractive investment opportunity. About EC $500,000 would be required to start a modest repair facility together with about EC $1 million in inventory.

Services

Opportunities abound for investment in the services sector. Since Antigua is a resort tourism based economy, the services it must employ for maintenance of the hotel industry is vast. The problem cited is lack of sufficient managerial and technical skills among the population.

For example, hotels operated by expatriates seem to fare no better than those operated by locals in the long term. The scale of the smaller hotel is such that it employs a handful of people,

many from the same family. However, catering, food prepartation and distribution is where the area of opportunity is best. Venture capital schemes would work well in organizing the cleaning and maintenance workers so that a few firms could be established that contract their services to the major hotels.

Solar heating has caught on in Antigua. Many hotels and public as well as private places are currently installing solar waterheating panels. Water supply cisterns operated by a solar powered electric motor has proven cost effective in other parts of the Caribbean. The repair and maintance of these sytems is expected in increase over time as energy costs increase. Electric power is diesel operated, so the cost of electricity is high and will most likely not decrease in the long term. alternative means of generating electric power as a supplement to the existing system, through either wind or solar energy generation is an excellent opportunity. The investment cost is estimated at close to EC $1.5 million for start up. Passive solar heating systems are mush less expensive to produce and maintain.

Services such as computer repair and maintenance is becoming a growing industry in Antigua. Once the power supply is improved and made more reliable, the use of computers is bound to increase. Management consultant services must be included in the over all strategy to strengthen this kind of enterprise. Modernization of the services available for business will most likely take place in the near term. Local banks have installed computerized equipment. during the course of the study, the Antiguan Commerical Bank opened 24 hours. The maintenance of all the new electronic equipment will require skilled persons and offers an opportunity to enter in a new market replete with expansion potential.

V. RECOMMENDATIONS AND PROPOSED STRATEGIES

Without the benefit of a more in depth investigation on the behavior of the small scale enterprise and the institutions that serve them in Antigua, the recommendation that can be made from a cursory study at the pre-feasibility level, are subject to adjustments in practice. In assessing the requirements for change, there are several options available to the development practitioner intent on providing greater access to the sources of financing and technical assistance. Stucture could be changed, though this is a longer term endeavor and ultimately reverts to the individuals managing the project, the focus of the recommendations are on the styles and approach that a practitioner could apply in making more effective the reach of the project.

The reason for emphasizing style changes is that training can be offered to key individuals working with the small firms that can bring greater awareness about their operational roles in the system. New institutions would be well advised to include some of these ideas into their planning, so that the base from which the assistance will be delivered can be on more solid footing. This is a complex and sensitive area of project implementation that can

benefit from additional experienced based results. In fact, the approach is one that builds upon prior experiences of other agencies and programs. Learning is the key concept in designing an alternative approach to reach the small firm. One the organization has been established, the guidelines suggested in chart 5.1 can fine tune the process of service delivery.

Chart 5.1 Changes in the Management Style Required for Implementing a Participatory Approach

Key: A= Management Action
B= Characteristics of Antiguan Assistance Agencies
C= Changes that would improve service delivery

1. A: Center of Decision Making
   B: Decisions about the kinds of programs and beneficiaries to be served; use of funds and commodities is made at the national level with funding fixed for one budgetary period (one year)
   C: The core content of project resources and general guidelines set at national regional level. Implementation decisions must be made at local level, according to local interests and conditions.

2. A: Attitudes, Norms, Values and Skills of Staff
   B: Staffers tend to look at experts in local agency as only ones able to make decisions. View of beneficaries is that they are incompetent to enter into technical discussions. Patronizing attitude.
   C: Staff must be made to see knowledge as residing in both technicians and beneficiaries. Reinforce the view that beneficiaries are partners in development. Offer training in communications skills using non-technical lnaguage.

3. A: Organizational structure
   B; Staff positions are organizaed so that persons cannot be easily interchanged from one position to another.
   C: Staff is seen as capable of developing unique relationship with local community or neighborhood. Staff are made responsible for long term results. Stability is maintained as much as possible.

4. A: Staff selection
   B: Staff are selected on basis of cronyism. Objective measurements of capability not usually the norm.
   C: Staff are selected and trained based on specific criteria that are linked to project objectives.

5. A: Evaluation System
   B: Evaluation of staff performance is not rigorous; comunity capabity development is not considered part of task. Staff are accountable to only superiors within the agency
   C: Evaluation is based on achievement of specific results.

Task is focused on community participation criteria. Accountability is both to people served and to agency superiors.

6. A: Reward System
   B: Non-existent in any systematic manner. Promotions and rewards are handed out on basis of subjective criteria.
   C: Rewards are openly known to all staff. Excellent performance is re-inforced, negative performance is ignored, focus is on the workable results that each person produces.

Q. 11 How did you start business? (cont.)

Own Initiative:

Started painting small signs for friends, then used $700 from savings to start business.

Was layed off regular job so used $3,000 from savings to go into upholstery business.

Started leather business as a hobby, then went to elders and obtained a loan to start the business.

Photography business started out as a hobby.

Started as a boy and bought out his employer when the employer decided to retire. Purchase price was $15,000.

Looked at the market and decided there was a need for a laundrymat. Obtained a loan of $200,000 from bank to start business.

Started in woodworking shop and is in the process of buying out the owner.

Learned to play musical instrument at school and continued to earn a living as a musician.

Started sewing for family and friends then branched off into sewing for purpose of selling.

Baked and decorated cakes, etc. for friends and then started selling baked goods.

Q. 11 How did you start business?

Friends:

A friend trained and got started in furniture making business.

Family:

Wife branched off from husband who is a tailor. The husband financed with $400 to start manufacture of garments.

Father had business and trained son, then son branched off into business.

Inherited from family.

Father sent to a vocational school.

Assisted father in business and then branched off on own into clothing manufacture.

Professional:

Took a 6 month course at Handicraft University Center. After completion of course, used own funds of $100 to start business.

Branched off from person who trained him using $150 from savings.

Worked in trade for someone else then went out on own.

Worked for government and got training then set off on own.

Started working at a mechanic shop then took a course for auto mechanic in Puerto Rico. After completion of course, returned to start own business.

Went to Canada for training to cut, style and curl ladies hair. Upon return, used $75 from personal savings to start business.

Q. 20 What is being produced off the Island that you could provide?

Less expensive thread, hooks and pins
other beverages- ie: fruit punches, flavored milk
Pillow cases, sheets, table cloths, draperies, clothing
Leather products - belts, slippers, etc.
Jewelry boxes and accessories
Lighting signs
Furniture - tables, chairs, etc.
Pastries
Wooden ornaments for jewelry, souveniers.
Staw hats, bags, baskets
Any form of pottery

Q. 22 Why haven't you tried to produce?

Importing of items
Not enough time nor skills
Necessary materials too expensive
Lack of modern equipment
Lack of supply and demand
Lack of proper facilities

Q. 31 What are your hopes for business?

Market expansion
Construction of better facilities
Training of labor force
Employ more labor
Obtain better equipment
Obtain steady cliental
Improve profit margins
Expansion into full time business
Increase sales
Diversify

Q. 32 What would help make this happen?

Available financing
Sound business advice and assistance
Modern equipment
Marketing plan
Better buildings
Less government restrictions
Training for labor
Wider market
Advertising

The Foundation's funds will be deposited in the co-operating banks. Loans will be given up to a maximum of $20,000 for each project to be used either for the purchase of equipment and/or working capital (materials, supplies, wages).

The rate of interest applicable on loans will range from one percent to three percent above the banks' current minimum lending rates.

The period for repayment of a loan will be determined by the type of project, the maximum period being five years on any loan sanctioned.

Loans will be repaid monthly by fixed instalments inclusive of interest.

Any equipment purchased with the loan may be held as collateral security for that loan.

SOURCE OF FUNDS

The NDFA&B represents an effort by the private sector to participate in the development of small-scale productive enterprises. The intention is to assist persons of limited economic means to improve their means of livelihood. The private sector is therefore expected to be the main source of funds for the Foundation's programmes.

The NDFA&B is expected to attract substantial funding from private and public sector agencies.

Initial funding has come from the Foundation for International Training (FIT), the Pan-American Development Foundation (PADF) and some members of the business community.

AUDITING

The annual audited report and accounts of the Foundation will be prepared by an internationally recognised firm of auditors. Copies of this report will be circulated to members of the Foundation and made available to the public.

HOW TO CONTACT THE FOUNDATION

The Address of the NDFA&B is Long Street, St. John's, Antigua, P.O. Box 1009.

BOARD OF TRUSTEES

Wilkin Griffith (Chairman)	Engineer
Francis Henry (Treasurer)	Agriculturist
Castord Murray	Businessman
Aziz Hadeed	Businessman
Peter Harker	Industrialist
Clare Roberts	Lawyer
Helen Burton	Social Worker
James King	Banker
Frank De Abreu	Banker
John Benjamin	Banker
Eustace Francis	Businessman

Company Secretary/Executive Director

Wrenford D. Ferrance

Coordinator and Counselling Administrator

Derrick A. Browne

NATIONAL DEVELOPMENT FOUNDATION OF ANTIGUA & BARBUDA

HELPING SMALL BUSINESS

CATERING OPPORTUNITY FOR ANTIGUA & BARBUDA

The National Development Foundation of Antigua & Barbuda (NDFA&B) is a private non-profit development organisation registered as a company limited by guarantee under the Companies Act of Antigua for the following principal purposes.

- the promotion and development of small business enterprises by making credit available to and by providing technical assistance and training.
- mobilizing funds and other resources from the local business community and from overseas agencies to finance and assist economic and social development projects in Antigua & Barbuda.

WHO WILL THE FOUNDATION ASSIST?

The Foundation may provide assistance to

- get a new venture off the ground or
- to develop and/or expand an existing small business

A "small business" is defined for the purposes of an NDFA&B loan as one which has assets of up to $20,000 (in equipment, materials, cash, etc.) It may be owned by one or more persons and employ from 1-10 persons.

The small business to be assisted must meet the requirements of being a productive business in the sense that it must either

- create new employment
- utilize local raw materials productively
- be of productive value to the community
- help stimulate exports or reduce imports.

In its first year or two of operations the NDFA&B will give priority to assisting enterprises relating to agro-processing and oth productive manufacturing and industrial jects. Small tradesmen and craftsmen in like plumbing, welding, auto mechanics woodwork will be supported. Loans will a be given for commercial ventures such as shops and huckstering.

Loans will not be given for projects or businesses which would otherwise qualify for normal commercial loan from a bank or credit union.

To quality for a loan the entrepreneur must

- satisfy the Foundation that he will personally manage and operate the business.
- be prepared, if required, to accept technical assistance from the Foundation staff.
- satisfy the Foundation that proper accounts and records are maintained.
- disclose all information on existing loans and obligations which may affect the decision to grant the loan.

In granting a loan account will be taken of the applicant's basic skill, experience in the particular business and general record of performance of the applicant.

ADMINISTERED?

The NDFA&B is administered by a Board of Trustees of 11 members drawn from established private and public sector institutions who are willing to give their experience and time on a voluntary basis to the development of the small business sector.

e day to day management of the Foundation the respo pility of the Executive Director pported by field staff or promoters.

The promoters will keep in regular contact with clients both before and after credit is granted and will be expected to report on the progress of projects funded.

OPERATING POLICY

In its initial period of operation the NDFA&B will not give loans directly to persons approved for lending. The Antigua Foundation has entered a unique relationship with the country's major commercial banks who will administer the loans for the Foundation.

Applicants will be required to fill in an application form with the NDFA&B. All applications will be considered by the Foundation's Credit Committee who will then decide on the worthiness of the application for funding. If successful the application will be forwarded to the bank for processing.

The banks will follow their normal methods in assessing the loan worthiness of the project or business. Prior approval by the Foundation must be obtained before the bank considers the application.

ANTIGUA CHAMBER OF COMMERCE, LTD.

Cable Address:
"COMMERCE"
Antigua

Redcliffe Street
St. John's
Antigua, W.I.
Phone 20743
Tlx: 2105 Chamcom AK.

15 January, 1985.

TO WHOM IT MAY CONCERN

The presenter of this letter (names listed below) is conducting a Survey on behalf of the Partnership for Productivity/International through the Antigua Chamber of Commerce.

The Survey is designed to identify the problems and constraints faced by the small scale enterprise in Antigua. The study is part of a Eastern Caribbean wide project aimed at creating specific projects for direct assistance to the small enterprise.

.....
Wrenford D. Ferrance
Executive Director

Timothy Payne
Francis Payne
Gregory Walter

Partnership for Productivity
International

Andrew H. Oerke
President

St Johns, Antigua

Mr Gregory Walter
St. Johns
Antigua, W.I.

Dear Mr Walter

We are pleased to offer you an assignment as a SURVEY ENUMERATOR with Partnership for Productivity, (PfP/International) in St. Johns, Antigua. Your duties will be to administer a questionnaire to a selected sample of small scale enterprises on the island. The effective date of this appointment will be until January 21, 1985.

You will be paid on the basis on EC$ 10.00 for every fully completed and accepted questionnaire, plus EC$ 20.00 for transportation and related expenses each day you work a full seven hours.

If you are in agreement with the provisions as stated, please sign below.

Fernando Cruz-Villalba
Principal Investigator, Antigua
Date: Jan 15 1985

Enumerator
Date: 16/1/85

2001 S St., N.W., Suite 610, Washington, D.C. 20009 (202) 234-0340 / 483-0067 Telex. 4994942 EIES: 531

Partnership for Productivity
International

Andrew H. Oerke
President

St Johns, Antigua

Mr Timothy Payne
St. Johns
Antigua, W.I.

Dear Mr Payne

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Fernando Cruz-Villalba
Principal Investigator, Antigua
Date: Jan 16 1985

Timothy Payne
Enumerator
Date: 1/16/86

2001 S St., N.W., Suite 610, Washington, D.C. 20009 (202) 234-0340 / 483-0067 Telex: 4994942 EIES: 531

Partnership for Productivity
International

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Date: Jan 16 1985

Enumerator
Date: 16th. Jan. 1985

2001 S St., N.W., Suite 610, Washington, D.C. 20009 (202) 234-0340 / 483-0067 Telex: 4994942 EIES: 531

ANTIGUA MANUFACTURERS' ASSOCIATION DIRECTORY

NAME/ADDRESS/TELEPHONE	PRODUCTS	MARKETS
Antigua Appliance Industries Ltd. Old Parham Road P.O Box 667, 809-46-22662/3	Stoves, hot plates, refrigerators, freezers, washing machines	Local, regional
Antigua Dairy Ltd. Tomlinsons 809-46-21393	Pasteurised milk	Local
Antigua Distillery Ltd. High & Temple Streets 809-46-21072 Distillery, Deep Water Harbour 809-46-20458 P.O. Box 149,	Antigua rum - distilled, blended and bottled Alcohol, Bay Rum	Local, regional, USA, UK and Ireland
Antigua Gases Ltd. Production Plant Tomlinsons 809-46-20547 Sales: St. Mary's Street 809-46-21428	Industrial and medical gases	Local
Antigua Hosiery Coolidge Industrial Estate 809-46-23230	Socks for men, women and children	Local, regional
Antigua Winery Cassada Gardens P.O Box 245 809-46-20043	Wines, rich ruby, port, cherry brandy, orange, vodka, gin, Grenadine syrup, orange, cherry and lime syrup	Local, regional
Benjies Printery Michael's Mount 809-46-24490/23821	Commercial printing, corporate seals, rubber stamps, engraving	Local, regional
Brysons Bottling Co. Cassada Gardens 809-46-23199	Coca-Cola, aerated soft drinks	Local
Caribbean Biscuit & Confectionery Co. Ltd. Coolidge Industrial Estate 809-46-23199	Biscuits, plain crackers, sprayed salted crackers, semi-sweet biscuits	Local regional
Caribbean Packaging Materials Ltd. Coolidge Industrial Estate P.O. Box 210 809-46-23050	Plastic bags of all types	Local, regional

NAME ADDRESS/TELEPHONE	PRODUCTS	MARKETS
Central Tyre Services (1975) Ltd Old Parham Road P O Box 1204 809-46-20761	Tyre reconditioning recap and remold	Local
Electronic Technology Int'l (Antigua) Ltd. Coolidge Industrial Estate P O Box 665 809-46-24939	Colour TV sets, electro-mechanical subassemblies business computers computers	Local, regional
Gigi Industries Ltd. All Saints Road 809-46-22702	PVC outdoor furniture, TV and stereo stands, plastic partitions	Local, regional
Harmac Co. Ltd Old Parham Road	Snack food	Local, regional
John Laviscount Steelworks Old Parham Road 809-46-21800	Steel frames	Local
Knitwear (Antigua) Ltd. Coolidge Industrial Estate P O Box 549 809-46-23201	Men's trousers, jeans, shirts, jerseys, overalls	Local, regional
Leewind Paints Ltd. Coolidge Industrial Estate 809-46-23208 23137	Paints	Local, regional
Mauser Co. Ltd. Coolidge Industrial Estate P O Box 780 809-46-23189	Small appliances (electrical), gas lamps, fans, toasters, blenders	Local, regional
Nubec Energy Conservation Co. Ltd. P O Box 1124 Long & Cross Streets	Solar collectors, wind energy	Local
Pigotts Woodwork Co Old Parham Road 809-46-20200	Wooden furniture	Local

NAME/ADDRESS/TELEPHONE	PRODUCTS	MARKETS
Rachel Needlecraft Ltd. Coolidge Industrial Estate P O. Box 459. 809-46-23207	Brassieres, panties	Export - USA
Sealy Mattress Co. (Antigua) Ltd. Coolidge Industrial Estate P.O. Box 1158 809-46-23231	Bedding, specialised furniture, (sofa-beds) carpets, sheets and towels	Local, regional
Plastic Foam and Furniture Company Lower Market St , P O. Box 1050 809-46-21452	plastic foam, mattresses, furniture	Local, regional

OTHER MANUFACTURING ESTABLISHMENTS

Eagle Garment Company	garments
Warner's Shoe Service	sandals, bags
P L.J. Tiles	floor tiles
Chala Paper Products	toilet tissue
Local Batteries Ltd.	batteries
Christian Enterprises Ltd.	doors and windows
Howel Jewellers	jewelry
Caribbean Creations	jewelry
Kelprint	printed fabric
Antigua Masonry Products	masonry products
Antigua Pottery	pottery
Henderson's Ltd.	corrugated galvanized sheet
Carl Pasckers	pickled meats

APPENDIX VI
ANTIGUA CHAMBER OF COMMERCE

CLASSIFIED DIRECTORY OF MEMBERS
ALL IN ST. JOHN'S, ANTIGUA
AS OF 1 NOVEMBER, 1983.

Name	Business
Alexander, Parrish (Antigua) Ltd. St. Mary's Street, P.O Box 45	(24) (32) (38) (41) (47) (48)
Anjo, John & Francis High Street, P.O Box 104	(14) (16) (24) (25) (32) (33) (34) (40) (41) (43)
Antigua Appliance Industries Ltd. Old Parham Road, P O. Box 667	(31)
Antigua Business Bureau St. Mary's Street, P.O. Box 59	(1)
Antigua Catering Services Ltd. Coolidge, P.O Box 585	(5)
Antigua Distillery Ltd. High Street, P O. Box 149	(14) (17) (29) (31)
Antigua Gases Ltd. Tomlinsons, P.O Box 412	(50) (52)
Antigua Modern Ltd. St Mary's Street, P.O. Box 171	(6) (14) (16) (25)
Antigua Plumbing & Hardware Centre Ltd. Camacho's Avenue, P O Box 812	(10) (11) (13) (14) (19) (23) (26) (35) (36) (39) (46)
Antilles Trading & Shipping Newgate Street, P.O Box 572	(3) (41) (42)
Armstrong, Frank B (Antigua) Ltd. Newgate Street, P O Box 344	(14) (16) (18) (20)
Bank of Antigua Ltd. Market Square, P.O Box 315	(9)
Bank of Nova Scotia High Street, P O Box 342	(9)

ANTIGUA CHAMBER OF COMMERCE

INDEX

1. Accounting, Auditors & Tax Consultants
2. Advertising Specialists
3. Air Conditioning & Refrigeration Equipment
4. Airlines
5. Airline Catering
6. Apparel (Clothing)
7. Attorneys
8. Automobiles
9. Banks
10. Bicycles
11. Building Supplies
12. Carbonated Beverages
13. China & Glass
14. Commission Agents & Manufacturing Representatives
15. Construction
16. Cosmetic & Perfumery
17. Distillers
18. Drugs & Pharmaceuticals
19. Electrical & Electronic Equipment & Supplies
20. Food Products
21. Footwear
22. Furniture
23. Hardware
24. Insurance Representatives
25. Jewellery
26. Kitchen Equipment & Utensils
27. Laundry Machines
28. Leather Goods
29. Liquors, Wines and Spirits
30. Machinery
31. Manufacturers & Exporters
32. Marine Equipment & Supplies
33. Office Equipment & Supplies & Stationery
34. Photographic & Projection Equipment
35. Plastic Holloware & other Plastic Products
36. Plumbing Fixtures & Supplies
37. Printers
38. Real Estate
39. Ropes & Cordage
40. Silverware
41. Sporting Goods
42. Steamship & Shipping Agents
43. Tobacco & Tobacco Products
44. Telecommunications
45. Textiles & Textile Products
46. Tools
47. Travel Agency
48. Yacht Charters
49. Economic & Feasibility Studies; Management Consulting; Management Training; Marketing Advice; Marketing Research
50. Industrial & Medical Gases Manufacturers.
51. Manufacture of Bedding
52. Welding Supplies
53 Bakery
54. Energy Conservation
55. Engineering
56. Paints

Name	Business
Lake, Miss Bernice Chambers, Long Street, P.O Box 512	(7) (38)
Leeward Islands Air Transport (1974) Ltd. Coolidge Airport, P.O. Box 819	(4)
Leeward Motors Ltd. Old Parham Road, P.O. Box 101	(8)
Local Batteries Ltd. Pigott Alley, P O. Box 15	(8) (31)
Lurijos Managment Consultants Ltd. Market Street, P.O. Box 873	(49)
Mansoor, Abdo & Sons Market Street, P.O. Box 567	(14) (19) (34)
Masses House Newgate Street, P.O. Box 245	(14) (29) (31) (43)
Matthew, Arnold & Associates Church Street, P.O. Box 385	(55)
Mendes, Stephen R. (Antigua) Ltd. Thames Street, P.O. Box 120	(3) (8) (13) (14) (19) (22) (24) (26) (30) (32) (35) (36) (39) (41) (42) (46)
Michael, Maurice J. Redcliffe Street, P.O. Box 111	(29) (38)
Milisan Bakery Camacho's Avenue	(53)
Moore, John H. Newgate Street	(6) (11) (13) (14) (23) (26) (35) (36)
Nubec Energy Conservation Products Ltd. Coolidge Industrial Park, P.O. Box 1124	(3) (54)
Francis Nunes Hardware Store Long Street, P.O. Box 1124	(11) (14) (15) (23) (30) (36) (46)

Name	Business
Original Printery Ltd. Long Street, P.O. Box 1289	(37)
Persaud, Moti K. Fitzroy Pestalna Street, P.O. Box 1247	(14)
Pigott & Son American Road, P.O. Box 271	(11) (14) (15) (19) (23) (36) (46)
Royal Bank of Canada High Street, P.O. Box 252	(9)
Scent Shop High Street, P O. Box 272	(13) (14) (16) (25) (40)
Sealy Mattress Company Coolidge Industrial Park, P O Box 1158	(22) (31) (51)
Selkridge Insurance Agency Redcliffe Street, P O. Box 306	(24)
Shoul, Stephen B. Redcliffe Street, P O Box 327	(6) (14) (16) (25) (40)
Specialty Shoppe Ltd. St. Mary's Street, P.O. Box 15	(13) (14) (25) (40)
Swiss American National Bank of Antigua Redcliffe Street, P.O. Box 230	(9)
West Indies Oil Company Ltd. Friars Hill Road, P.O. Box 230	(31)
Y. De Lima (Antigua) Ltd. High Street, P O Box 373	(13) (14) (19) (25) (40)

Name	Business
Barclays Bank International Ltd. High Street, P.O. Box 225	(9)
Bata Shoe Company Ltd. St. Mary's Street, P.O. Box 166	(14) (21) (28)
Benjamin, E. Alex Ltd. - "Benjies" Redcliffe Street, P.O. Box 563	(6) (10) (16) (25) (33)
Boulos, Lionel Long Street, P.O Box 358	(6) (14) (28) (35) (45)
Brisbane, O.D. & Co. Popeshead Street, P.O. Box 27	(14) (20) (29)
Bryden, A.S. & Sons (Antigua) Ltd. North Street, P.O. Box 182	(14) (16) (18) (20) (29)
Bryson, Geo. W. Bennett & Co. Ltd. Church Street, P O. Box 162	(8) (11) (12) (13) (14) (16) (20) (22) (24) (26) (29) (31) (35) (39) (42) (46) (47)
Burton's Laundromat Camacho's Avenue, P O Box 1313	(27)
Cable & Wireless (W.I.) Ltd. St. Mary's Street, P.O. Box 65	(44)
Canadian Imperial Bank of Commerce Ltd. High Street, P.O. Box 28	(9)
Chelsea Electrical Newgate Street, P.O Box 175	(19)
City Pharmacy, The (Lartigue Richards & Co. Ltd.) St. Mary's Street, P.O. Box 4	(14) (16) (18) (25)
Crabbs Slipway & Marina Crabbs Peninsula, P.O. Box 271	(32)
Dew, Joseph (Div. of Dantzler W.I. Ltd.) Long Street, P.O Box 126	(11) (13) (14) (16) (19) (20) (26) (29) (33) (35) (43) (46)

Name	Business
Dias, Manuel Liquor Store Long Street. P.O. Box 40	(14) (29) (43)
Farara, Quin & Co. Ltd. Long Street. P.O Box 50	(14) (29) (43)
Food Brokerage Services Ltd. Newgate Street. P.O Box 914	(12) (14) (20) (26) (35)
Francis Trading Agency Thames Street. P O Box 194	(42)
Furniture & Furnishings Ltd. Popeshead Street. P.O. Box 345	(22) (31)
Global Travel & Tours Ltd. High Street	(47)
Gomez, Kenneth A. & Sons High Street, P.O Box 195	(14) (24) (33)
Harney Motors Ltd. American Road, P O. Box 158	(8)
H. & G. Paints Popeshead Street. P.O. Box 75	(56)
Hewlett, C.A.S. P.O Box 89	(1)
Hutchinson (Antigua) Ltd. Nevis Street. P O Box 1048	(14) (16) (18) (20) (29) (33)
Insurance Services (Caribbean) Ltd. Long Street, P.O Box 490	(24)
International Sales & Services Ltd. Cemetery Road. P O. Box 617	(14)
Island Motors Ltd. Queen Elizabeth Highway & Camacho's Avenue. P O Box 433	(8)
Island Provision Ltd. Airport Road. P.O. Box 898	(14)

REPORT ON SMALL BUSINESS IN BARBADOS

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BARBADOS:

I. BACKGROUND

A. Socio-Economic Setting

Barbados has become over the past two decades one of the more developed countries in the Commonwealth Caribbean. Economic development has been achieved with social and political stability and has also led to improved social conditions.

Barbados achieved a consistant level of economic growth averaging five percent from 1976 to 1980 before dipping to a negative three percent growth in 1981. The partial recovery of the industrial nations following rapid oil price increases in the early 1970s and increased levels of private investment in tourism and manufacturing contributed to the 1976-1980 steady growth. This growth led to reduced unemployment from an estimated 25 percent in 1975 to about 12 percent in 1980.

After five years of continued economic expansion (1976-80), the economy of Barbados experienced substantial difficulties during 1981. In addition to a drop in sugar production by 42 percent with respect to 1980, the sluggish economic growth of the OECD countries led to a decline in tourism and to a stagnation of manufacturing production and exports.1/

The credit restriction measures introduced under the Governments stabilization program succeeded in reducing domestic imports. The Central Bank took steps to raise interest rates to curb credit expansion and the reserve requirements of the banking system were raised from 20 to 27% and its rediscount rate was raised from 10 to 22%. These and other measures were effective in reducing the growth of private sector credit to 7% in 1982 as against the 22% growth during 1981.

The manufacturing sector continued to grow in Barbados even through the recent recession. The rapid growth was experienced mainly on the strength of the new enclave electronics components sub-sector whose production plans, financial support and development strategy are geared to the evolution of the parent plant overseas. In addition, the business incentive programs for these enterprises are extensive. While domestic exports are also increasing for other manufactured products (clothing, some agro-manufacturing, and other products), there is little evidence to suggest that small enterprises in light manufacturing, agro-manufacturing and services, are recovering as yet.

1/ The structure of the Barbadian economy has undergone significant changes in the past 20 years. As of 1982, tourism and manufacturing account for 26 percent of GDP as compared to 17 percent in 1970, while agriculture accounts or only 10 percent of GDP rather than 14 percent in 1970.

Barbados with a total population estimated at 251,000 (as of 1982) and an adult population of 171,000, has a labour force of 112,000 of which 61% are male and 39% are female. Unemployment reached an estimated 15.4% of the adult population in 1982.2/ Wage rates and per-capita income are relatively high in comparison to the other members of the Eastern Caribbean Community.3/ The competitive position of Barbados as a tourist destination, host to foreign private investment, and competitive exporter could be adversely affected, if labor costs continue their recent trend of increasing faster than both domestic and international inflation.

The population of Barbados is highly motivated and well educated (99% literate), with a long history of social and political stability and a generally well conceived and implemented government.

Barbados has a well developed economic infra-structure including:

B. Infrastructure

o Transportation

Grantley Adams International Airport, within 15 miles of the capital city of Bridgetown is capable of handling the largest commercial aircraft.

The country's one major port is at Bridgetown, on the northeastern side of Carlisle Bay. It offers berths for eight ocean-going vessels. Container facilities are available. More than a dozen shipping companies provide regular service between Barbados and major international ports in the Caribbean, North America, and Europe.

Internally, Barbados has over 900 miles of mostly narrow but nearly all paved roads.

o Communications

International telephone and telex services are provided by the Cable and Wireless (West Indies) Ltd. in conjunction with the Barbados Telephone Company Limited.

2/ Barbados Economic Memorandum: World Bank, January 16, 1984. Table 1.2: p.155.

3/ As of 1982 wage rates (BDS $ per week with BDS $ = 1.98 to US $1) were estimated at 99.72 garments; 164.70 beverages; 165.00 food; and 212.82 chemicals. The largest increases were registered in beverages and food at 37% and 36% respectively.

- Industrial Facilities

Factory shells along with roads, water supply, sewage, drainage, electricity, and refuse disposal are available at scattered sites and in the nine industrial parks owned and operated by the Industrial Development Corporation (IDC). Factory space can be rented from the IDC on a 5-year renewable tenancy basis with the IDC responsible for all external maintenance and repair. The leaseholder must finance any improvements. Alternatively, the IDC will enter into an agreement giving the company the option to purchase the building within a five year period. By mid-1983, the IDC was charging some manufacturers a full recovery cost of $3.50 per square foot for manufacturing building space. The number of outstanding investment applications suggest that a shortage of factory shell space exists.

Production in the Barbados manufacturing sector reached $100 million in 1981 thereby accounting for 12 percent of GDP and employing more than 16,000 persons over half of which work in the IDC industrial parks.4/ Park factories produce a wide range of products including mattresses, foam rubber, toys, cosmetics, detergents, animal feeds, tubular furniture, garments and sporting goods for local and CARICOM markets. Export products are mostly garments, electronic assemblies and furniture.

- Energy Supply

Using both domestic and imported oil, the Barbados Light and Power Company, regulated by the Barbados Utilities Board, provides electricity produced by steam, gas and diesel powered units. The company, as of December 31, 1982, had an installed capacity of 94,100 kilowatts with a distribution system extending throughout the island.

Barbados produces about one-fifth of its oil requirements. Crude production totaled 211,000 barrels in 1981. Natural gas production reached 284 million cubic feet. Deep-drilling carried out in 1981-82 did not locate any major new deposits. Nevertheless, it still seems probable that with continued shallow drilling, Barbados can reach virtual self sufficiency in oil by the end of the 1980's. The existing oil field was recently purchased by the Barbados National Gas and Oil Company from a foreign oil company.

Natural gas that was previously flared is now piped into the domestic grid. Feasibility studies are being conducted for wind and wave power generation. Solar water heating is well developed.

4/ Total major exports were up over 30% in 1983 compared to 1982 and just over 70% January-August '84 compared to the same time period in 1983. Leaders included electrical machinery (687 & 685) and general merchandise (818).

- Materials Supply

Barbados has local production of the following raw materials and goods for industry and consumers: sugar, rum, molasses, oil, natural gas, margarine and lard, beverages, chemicals, electrical parts, clothing, onions, yams and sweet potatoes, carrots, tomatoes, cucumbers, cabbage, poultry, milk, animal foods, oxygen, paints, and storage batteries. The Statistical Section of this document contains information on product quantity and price. Barbados imports a wide variety of agricultural and other industrial materials.

- Water Supply

The daily distribution of water exceeds 25 million gallons via 607000 service connections and 1,400 free stand pipes. The water originates from underground streams or bodies of water existing at sea level and overlaying salt water. The water is classified as "hard" but not sufficiently so to warrant "softening" for domestic purposes. Chlorination is the only treatment applied.

II. EXISTING SMALL BUSINESS ENTERPRISES

a. (SBE's) in Barbados

Businesses in Barbados are broadly classified into 'household', 'small' and 'medium' size. The household business has the following characteristics: it is the principal means of livelihood for the people engaged in the activity; they need not depend entirely on family income and may also employ hired labour; they need not necessarily be located in the dwelling places of the artisans concerned but may be housed separately; the skill and training involved in these industries can be acquired through institutions, without detracting from the quality of the operation or the efficiency; they may be run on electricity or other power driven material and can be reoriented into small scale organized units.5/

In Barbados, the furniture maker or the 'joiner' as they are familiarly known, the carpenter, the motor-mechanic, the dressmaker, the tailor, handicraft and small baker and food processor fall into this category. Most of these businesses use relatively modern equipment, the majority with machinery and equipment BD$50,000 or less and under ten (10) employers.

The small-scale industry definition is less clear in Barbados. For example the Industrial Development Corporation (IDC) defines those manufacturers outside the purview of the Industrial Development (Export Industries) Act 1969-73. The definition used by the Barbados Development Bank (BDB) is reflected in the loan policy of its small business division to consider as 'small' those enterprises with total assets not exceeding BD$50,000.

The Barbados Institute of Management and Productivity (BIMAP) defines a local small business enterprise as one which conforms to two of the following criteria: annual sales of under $250,000; employs under 25 persons: owner or principal shareholder(s) hold a personal investment of under $50,000.6/

In Barbados there is approximately 350 industries with organizational apparatus ranging from modest to elaborate and with capital investment exceeding $50,000, the limit imposed by the locally accepted definition of small. These industries are termed the medium size industry.

5/ Small business in Barbados, A case of survival Christine Barrow and J. E. Greene; Institute of Social and Economic Research. 1979 p.4

6/ The Central Bank of Barbados; Credit Guarantee Scheme for Small Businesses have eligibility criteria which define 'small' for five different types of business.

The small business enterprise survey was accomplished through a three faceted approach. First, with a questionnaire developed by Partnership for Productivity interviews were carried out by two groups of experienced interviewers, organized and coordinated by Secretarial Services Ltd., and Women in Development Inc. The second approach was carried out by the Barbados PfP team interviewing both entrepreneurs (SBE's Cooperatives and Credit Unions) and heads of key institutions supporting small business. Finally, the analysis draws upon studies, recent surveys and reports.

B. THE-MICRO/HOUSEHOLD BUSINESS

To identify smallbusinessmen or women as traditional or more modern is insufficient since the distinction depends more on the operational characteristics of their business. However, a few preliminary statements can be made. Agriculture, shopkeeping, service businesses (transportation, tire repair, beaut/ care, day care, facilities) and some crafts (furniture, stuffed toys, potters, etc.) represent the traditional areas of operation of small businesses and household businesses. As might be expected, older persons and the less educated have a greater representation in the traditional areas of operation. The younger and better educated found to be breaking into newer business, outside the home, have a more optimistic attitude about future success and participate at a much higher rate in management/technical services available to small businesses.6/

Household business in Barbados or elsewhere is subject to operationaland management abuses and in some cases encourages the persistance of low an inefficient productivity. In a situation where the capital resources are scarce and where there is high levels of underemployed and unemployed labor that can hardly be brought into the production system in any other way, some stimulus must be given to household industry/business.7/

A sample survey of small businesses carried-oaut by BIMAP nearly ten years ago discovered that black businessmen constituted the majority of small business followed in turn by those who were mixed, the whites and much smaller proportions of East Indians and Syrians and others such as Portuguese, Jews and Chinese.

C. The FfF Survey of Micro/Small Business

In Barbados, January is the official month for business registration (govt. fees are involved and fines levied for non-compliance). Although there are numerous personnel allowances and deductions personal tax rates for 1984 are 60% on earnings of $BD 30,000 and more. All companies, whether resident or not, are subject to corporation tax of 45%. Regardless of the assurances given to the entrepreneurs many were convinced the team members were sent by the government for reasons of registering income for tax reasons. As a result, nearly as many interviewers were denied the survey as were successfully completed - 45.

The team (6 persons) were able to successfully administer:

a) 21; questionnaires in the Service Sector (laundry, refrigeration repair, data services),

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6/ Barbados Institute of Management and Productivity (BIMAP).

7/ Small business in Barbados, Small Business Association.

b) 14; light manufacturing - (garments, handicraft (Pelican Village IDC project), furniture manufacturers), and

c) 8; agribusiness - (nurseries, food preservation, home bakery)

Two questionnaires were not tabulated due to one not identifying the business (by name or description) and one questionnaire was filled-out based on an interview of a person desiring to start-up a new business.

All but one of the twelve questionnaires completed by the Women in Development Inc. group had assets (machinery and equipment) of less than BD $10,000. All but two of the survey were female. The respondents were working in the traditional areas (clothing, handicraft) with the exception of the most educated, providing secretarial services for businesses.

Nearly all of the enterprises surveyed established their business with family savings and/or money provided within the family structure. Formal training among the employees is even lower than the business owner.

Few of the sample had any contact with assistance organizations, prefering on-the-job training in both managerial (bookkeeping, market expansion) and technical aspects for themselves and their employees so as not to leave their business/place of employment. Formal training appropriate and acceptable to the small business owner isgenerally unavailable in Barbados. BIMAP offers courses with instruction mainly in managerial aspects, customer relations, marketing, production and accounting, but, as indicated by participants, these are appropriate for middle and higher-level business owners.

In competitive capitalistic systems one problem which faces the entrepreneur is how to sell a product to the customer so that marginal costs remain relatively low and spread over an many units of production as possible. Advertisement is one ofthese costs which is justified only in terms of its capacity to pull or expand the demand to products. Marketing and the lackof access to finance were cited by nearly all of the entrepreneurs as the obstacles to future growth.

Among small entrepreneurs interviewed few have any formal subcontracting arrangements. Operational costs, earnings informaton was very difficult to obtain. As mentioned earlier, this is the month of the year that the Government registers small businesses. There are licensing fees and under the present tax code there is an extremely strong disincentive to register.

Characteristically, inadequate accounting procedures lead to uncertainty concerning levels of profit made by the small business entrepreneur. Often too, profits are confused with volume of cash on hand, or liquidity.

D. Manufacturing Survey

The Fiscal Incentives Legislation administered by the IDC led to the development of a significant manufacturing sector in Barbados and the Caribbean Common Market (CARICOM) provided a protected market, at least for a number of years.

Trading between Barbados and Trinidad is currently very small and virtually has come to a halt with Guyana. In Jamaica the massive currency devaluation in November 1983 and now the auctioning of foreign exchange have all but eliminated Barbadian goods from that market. Licensing and forms required generally dissuade many "would be" and former exporters in the Caricom market.

It is generally recognized that if Barbadian manufacturers are to survive (small and medium alike) they must seek new markets. To enter new markets (USA primarily, Canada and EEC) particular attention must be paid to product pricing, quality and increased efficiency in operations.

Based on a survey of manufacturers carried out by a private consulting firm in Barbados, interviewing 161 companies, the following analysis was made possible for the manufacturing sector:8/

The manufacturers of Wearing Apparel, except footwear (ISIC Code 322) followed by the manufacturers of Furniture and Fixtures, except primarily of Metal (ISIC code 332) are the two industries with the largest number of firms in Barbados. Another characteristic of these two industries is that they are predominantly owned and operated by Barbadians and their main markets are Barbados and Caricom.

The majority of manufacturing are medium and small businesses with nearly 50% of the sample with investments in Equipment and machinery of less than half a million dollars.

8/ Information collected in their survey was classified according to the International Standard Industrial Classification (ISIC), the consulting firm that carried out their suvey wished to remain anonomous.

TABLE I

INVESTMENT IN EQUIPMENT AND MACHINERY

MOUNT $ (B'DOS)	% of Respondents
Over $2,000,000	14.9
1 Million - $1,999,999	16.1
$500,000 - $999,999	14.3
$100,000 - $499,999	34.8
Under $100,000	14.9
	5.0
TOTAL FIRMS 161	= 100%

Food manufacturing, the beverage and tobacco industries, manufacture of paper and paper products; the industrial chemical industry and the manufacture of plastic products were among the most capital intensive having fifty percent or more of the respondents stating that they have investments of one million dollars or more.

On the other hand, with reference to the three industry groups which are the most numerous in terms of firms comprising those groups, Textiles (321), Wearing Apparel (322), Furniture and Fixtures (332), more than fifty percent of them had investment in equipment and plant of less than half million dollars.

The relatively low capital requirements for these groups suggest that entry into the industries is relatively easy and as a result competition tends to be keener. Thus given the large number of firms and the limited Caricom market, under utilization of the plants are a distinct possibility.

The limited size of the Barbados and Caricom market raised the spectre of possible excess capacity and under utilisation of plant and equipment.

Employment in the manufacturing sector points again to the overall medium to small size of the majority of firms. only 14.3% of the manufacturers employ more than 100 employees, while nearly 70% employ less than fifty people and just under 25% employ less than 15 (see table 2)

TABLE 2

EMPLOYEES IN MANUFACTURING FIRMS

No.		%
Less than 15		24.8
16 - 24		21.2
25 - 49		23.6
50 - 99		15.5
100 - 200		9.3
200 +		5.0
NR		0.6
Total Firms 161	=	100%

The industries which are the largest employers of people are group 342, Manufacture of Paper and Paper Products, with 37.5% of its firms employing 100 people or more; second, 321, Manufacture of Textiles, with 33.4% of its firms also employing 100 people or more and in third place is group 313, Beverage Industries, with 25% of its companies.

Those industry groups with very small numbers of employees less than fifteen persons are groups 323, Manufacture of Leather and Products of Leather, 361, Manufacture of Pottery, China and Earthenware, 362 Manufacture of Glass and Glass Products, 369. Manufacture of Other Non-Metallic Mineral Products, 385, Manufacture of Photographic and Optical Goods in which all of the firms responding (100%) employ less than fifteen (15) people.

Generally the smaller employers have less investment in equipment and machinery, all of them with under $500,000 and manufacturers of Pottery and China all with investments in these assets of under $100,00. The exception of the smaller employers is the manufacturer of photographic and optical goods with 100% of these businesses reporting investments of $500,00 to one million dollars. Most of the larger employers listed above have investments above $500,000 except for textiles (321) where 63% of the businesses reported investment in Equipment and machinery of less than $500,000 -- actually 1/3 reported less than $100,000.

Most of the manufacturers produce and sell in the Barbados and Caricom markets (over 90%). The respondents were unclear as to the size of the market in which they are operating although

confident that they could supply 80% and more of the local and regional demand. However, the vast majority (over 75% of the respondants) operate on a one eight hour shift and plant utilization is estimated, in most cases at under 70%, with a large number considerably lower.

Respondents were asked if any of their raw materials and other inputs (except labour and utilities) were produced locally and if yes whether they purchase any, and if not why not. Roughly 5 ofthe businesses bought locally. Tobacco manufacturing (314) buys 100% locally, no locally produced inports were purchased for 361; manufacturing of pottery, china and earthenware 362; manufacturing of glass and glass products (decorative) and 369; manufacturing of other non-metallic mineral products (e.g. floors and troofs, marble countertops, coral dust, tanks).

In both groups, purchasers and non-purchasers of locally produced goods, price (high) was given as the single most important problem followed by quality and uncertainty of supply in dealing with local producers.

Recognizing the government sector as one of the largest purchasers, it appears there is much more that the government agencies could do to support the manufacturing sector through purchasing more locally produced goods.

Finally, contraband appears to be a problem for many manufacturers.

E. Summary and conclusions of findings

- The manufacturing sector is comprised of approximately 100 registered firms, with investment in fixed assets of less than $BD 100,000 million dollars and employment under 15.

- The manufacturers are neither sure of their plant capacity nor the size of the Barbados Caricom market.

- Under-utilisation of equipment and machinery is pervasive.

- Inter-sectoral linkages within the economy are stronger than earlier believed. Furniture manufacturers, agro-businesses and the apparel businesses purchase locally produced inputs.

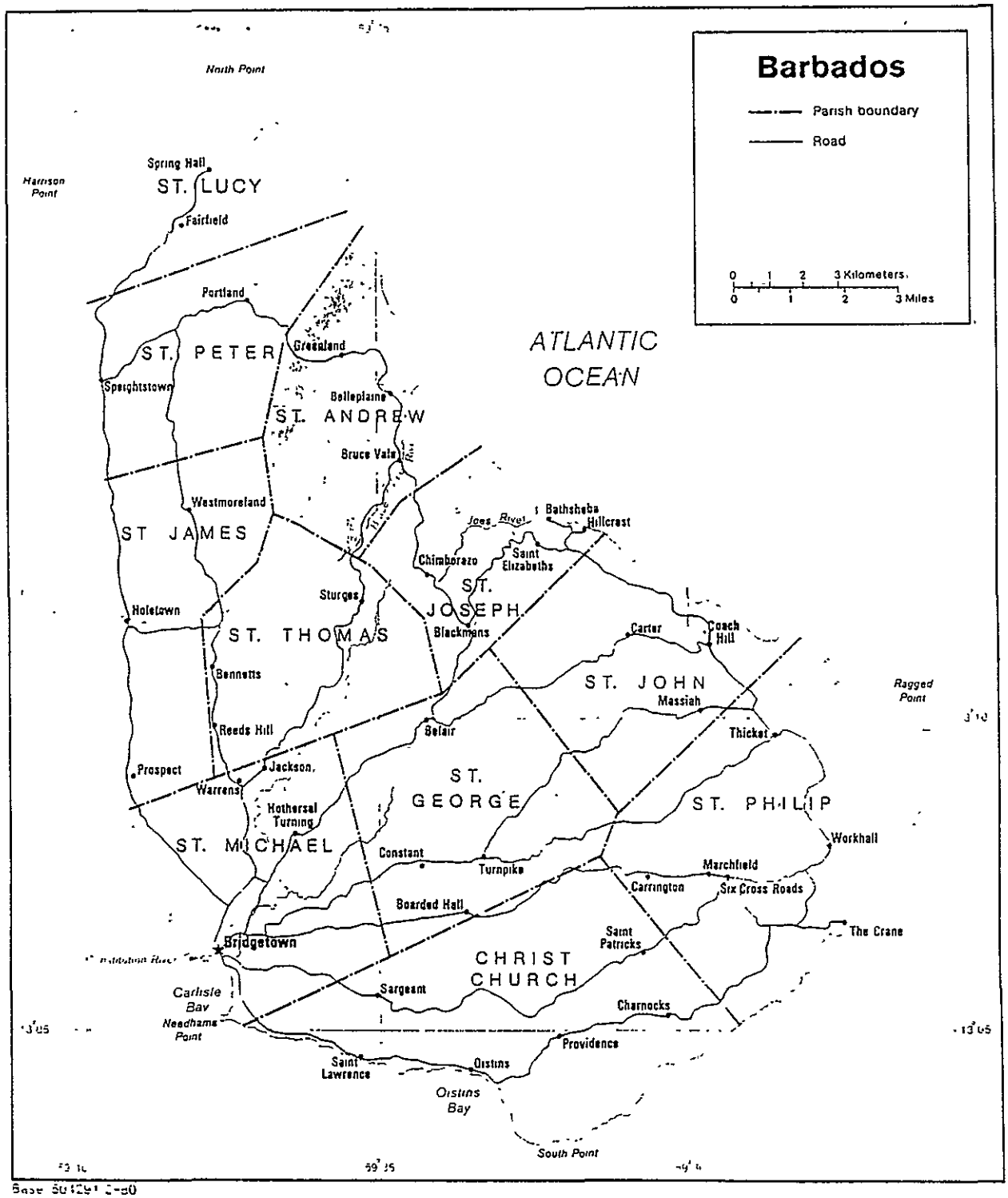
- Governmental support in the form of purchasing locally produced goods is not as strong as it might be.

- Manufacturers do not seem to be as aware as they ought to be of the impact of extra-regional and contraband on their operations.

- The Tax Code; high levels of income and corporate taxation have been cited as disincentives to small and medium sized businesses. High rates of taxation on business (registgered) encourage non-registration, and cheating. In addition, these conditions are counter-productive to business investment and savings.

- Among the smallest businesses access to finance and marketing are cited as their most serious constraints to prosperity and growth. The problem is interwoven with overall poor business organization and the lack of management capabilities.

- Although micro and small business entrepreneurs often resits advice they also lack the most basic information on a range of buisness operations and management inputs (raw materials purchasing, business organization and record keeping, product standards, local market capacity and sales potential, etc.). In Barbados, where small businesses have participated actively in associations or cooperative groups (e.g., Industrial Development Corporations (IDC), Transport Cooperatives, Credit Unions, etc.) the benefits of the association for the entrepreneur have been very positive.



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III. Resources Supporting Small Business

A. Introduction

Any enterprise requires conducive conditions in which there is an availability of capital for investment, economic incentives, management capacity and a market. These resources are generated by both public and private institutions with which the business person interacts.

Based on a questionnaire developed by PFP it was the intent of the Country Project team leader to update information on the institutions interacting with small businesses. The focus was to determine which institutions were in fact working with (micro/small) businesses, their effectiveness, and the constraints to their delivery of services to this business sector.

This Country Report contains the inventory of institutions currently working in this sector, an update on their effectiveness, constraints, and recommendations regarding their participation within an expanded USAID Program to more effectively assist micro and small businesses.

B. Review of Technical Assistance/Training Support Mechanisms

As illustrated in Table 1, the overview of TA/Training support mechanisms identifies the institution; the scope of service in terms of being regional or island specific; and their target business size. Business size is defined here in three categories:

i Micro/household
ii Small
iii Emerging Small/Medium (Definition illustrated in Attachment 'A').

Throughout the territories as was true in Barbados, it was found that while most institutions and entities providing service to small business claimed they served a broad range of small businesses, actually most concentrated their resources on the upper end of the spectrum of "emerging small and medium" businesses.

B. Public/Parastatal Institutioins

The Ministry of Trade and Industry states that it "will do everything possible to assist the small businessman to develop his enterprise." Small business has access to: fiscal incentives, duty-free entry of raw materials, financial assistance through loans from the Barbados Development Bank (BDB), guarantees through a scheme at the Central Bank, industrial factory space (IDC), and technical assistance and labor force training through specialized agencies of the Government.

Fiscal incentives aim at attracting local and foreign investment. As a matter of public policy emphasis is placed on rapid industrialization, agriculture diversification and the growth of tourism. However, while the fiscal incentives acts apply to all business, the incentive schemes have not filtered down by way of benefits to small businesses, with a few exceptions of emerging small/medium manufacturers assisted by the IDC.

The Industrial Development Corporation (IDC) is a parastatal institution that approves government fiscal incentives and operates industrial parks. Their primary mandate is to attract foreign investment capital for agrobusiness and manufacturing. Barbados has a New York office and IDC representative for that purpose. While some of their clients would classify as small businesses (furniture mfgs. sharing common intrastructure IDC industrial park) the vast majority are medium to large enterprises. This characterization of clientele is true of the Barbados Development Bank as well. The basic restraints for the effective delivery of service for government departments is their lack of personnel, limited outreach, insufficient skills for the appropriate administration of their programs, and the often perceived notion by their clients that the "soft loans and government administration" translates into "no need to pay back."

Community Development - Ministry of Labour and Community Service. Training is offered to communities in an effort to increase employment opportunities and upgrade skills. The majority of skills taught, however, do not relate to the job market. It is impossible to ascertain who was trained and in what areas. Record keeping is at a minimum.

The National Training Board - This Board was established to provide skills training through various programs including: the Skills Training Program aimed at persons 16 to 25 years of age, is funded by the O.A.S. and USAID. Training in various tasks over a 12 week period is designed to encourage self-employment among the youth.

C. Private Institutions

There are few institutions in the private sector that have a regional capacity in delivering technical assistance and training either through intermediaries or directly to the small business entrepreneur. This is particularly true outside the Financial Institutions which provide informal business management expertise and assistance to their customers, as a matter of course.

CAIC

The Caribbean Association of Industry and Commerce working through their "local affiliate" Chamber of Commerce is one of the truly regional technical assistance/training institutions in the region.

Table 1 Technical Assistance/Training Support Mechanisms

Institution	Scope of Services: Regional	Local	Target Business Size: Micro/Household	Small	Small/Medium
Public/Parastatal					
1. Ministry of Trade		*			*
2. Barbados Industrial Development Corporation (IDC)		*		*	(some)
3. Ministry of Labour and Community Service		*		*	
Private					
5. CAIC	*	*		*	*
6. BIMAP	(some)	*		*	*
7. Barbados Chamber of Commerce and Industry		*			(large)
8. PADF/NDFB	PADF	NDFB		*	
9. Barbados Manufacturing Association (BMA)		*		some	*
10. Small Business Association (SBA)		*		*	
11. Partners of the Americas	*	*		*	
12. Agriculture Commodity Trading Company (AGCTCO)	*	*		*	
13. Christian Action for Development in the Caribbean (CADEC)	*	*	*		
14. National Organization of Women (NOW)	*	*	*		
15. Women in Development Ltd. (WID Ltd.)	(some)	*	*	*	
16. Financial Institutions (T.A. role)		*		(some)	*
17. Barbados Export Promotion Corp.		*			*
International					
18. Peace Corps	*	*	*	*	
19. USAID	*	*	*	*	*

CAIC is active in instituion building, communications, economic research, training programs (middle management, senior executives and small businessmen), and technical assistance.

With a total staff of 20 people in Barbados, CAIC is supported by USAID for approximately 40% of their annual operating budget, 25-30% through subscription of members, with other donors supplying the remaining 30 to 35%.

As part of their revised three year program plan CAIC will concentrate on the following activities:

1. Local Affiliate Development Program; this project is designed to strengthen and unify the private sector organizations in each LDC territory. Initial funding will be provided, on a matching basis, for the affiliates in developing their strategies to better serve the needs of member firms. CAIC is working with the affiliates to both upgrade project planning and implementation capacity while promoting operational efficiency and self-sufficiency.

2. Caribbean Management Institute; this project will provide, in association with two U.S. - based entities (Caribbean Central American Action and the U.S. Chamber of Commerce), professional training for the staff and officers of each national private sector organization.

3. Junior Achievement; this project will assist the national private sector organizations to develop and implement programs which will involve youth in projects which will assist them in understanding the role of the private sector in the community and help youth to develop job skills.

4. "Free to Choose"; this project will pay for about 70% of the cost of purchasing the American public television film series, produced by the Friedmans, entitled "Free to Choose." The film will be shown in every country in the region by CAIC affiliates. ["the positive role private enterprise can play in the development of their economies"].

5. Caribbean/Central American Action's Miami Conference and Exposition; limited financial assistance to the private sector in the LDC'S to enhance their participation in the exposition.

CAIC has a competent and respected staff. In addition to the above outlined program plan and organization for "improved service to their clients", CAIC is looking to:

a) coordinate donors and local institutions to provide a better, more organized assistance packagek to private small enterprise;

b) develop a project (contract) with a Miami based "broker"to facilitate the sale of products of the Eastern Caribbean small business sector into the U.S. market. The

proposal calls upon the contracted "broker" to visit local businesses, examine their products, (on-site) determine marketability into the U.S., and then find U.S. buyers. After absorbing the projects' start-up costs, the broker-importer would be required to operate on fees generated by sales.

Comments:

- The CAIC approach to the delivery of assistance to small business keys on their staff capacity upgrading work within local affiliate Chambers' of Commerce and Industry. It is very important to carefully choose the appropriate local institution. However, the CAIC experience supports the idea that; "the more one can involve the private sector institutions the more positive (and long-term) impacts will be realized in serving (small) private business." PFP alternatives to addressing the management and technical assistance delivery mechanisms to small business should carefully consider the use of CAIC.

- At present CAIC staff is overtaxed in their regional program operations.

- Travel within the region is very expensive and time comsuming.

- CAIC recognizes the need to provide "market representation" for small business of the Eastern Caribbean in the United States.

- The Caribbean Basin Information Network (CBIN) is not functioning well and there is a need to upgrade the system or provide an improved communications network.

Barbados Institute of Management and Productivity (BIMAP)

The Barbados Institute of Management and Productivity is a "Non-profit organization established in 1972 by the joint efforts of the private sector and Government of Barbados to improve the efficiency and effectiveness of Management and to increase national productivity." BIMAP is supported by member organizations which donate annual subscriptions and participate in its activities. The membership list, as of 1984 included approximately 250 of the established commercial, industrial professional, institutional, agencies and organizations in Barbados.

BIMAP offers courses with instruction mainly in managerial aspects, customer relations, marketing, production and accounting, but, as indicated by participants, these are appropriate for middle and higher-level businessmen. Though small business entrepreneurs are encouraged to attend where the courses are relevant many are deterred by the level at which these courses are directed and cost and time involved.

BIMAP's human resource and management courses in Barbados have served the needs more of the employees in the larger commercial enterprise than entrepreneurs of medium and small businesses.

BIMAD's records indicate that 1,250 entrepreneurs/employees participated in classes and modular training programs (management, accounting, etc.) in 1984.

The modular training programs developed by BIMAP have been considered successful. BIMAP was generally regarded in Barbados as the key management training and development institution, with the benefit of qualified personnel. There may be merit in BIMAP designing a training program in consultation with the NDFB to provide the type of training and counselling that NDFB's clients may require.

Mr. Rudy Gibbons, the Executive Director, outlined demonstration projects recently carried out and currently underway within BIMAP's Small Business Development Division. Their accomplishments are impressive. Under contract with USAID ($U.S. 1.5 million '85 - 88) BIMAP has set out to:

- Identify existing and potential problems of small business.
- Develop measures to assist these enterprises in solving their problems; and
- Identify new areas of activity for small businesses.

The above outlined project end-product would consist of an "improvement package" [for expansion/start-up] for 36 businesses (6 large and 30 small) in 11 countries.

Comments:

An evaluation/institutional appraisal of BIMAP should be carried out to determine their effectiveness, concentrating on the Training and Small Business Development Divisions. BIMAP appears to be a well managed and competent institution. Their reputation is very good throughout the business community.

Barbados Chamber of Commerce and Industry

The Chamber President Mr. Phillip Goddard is intent on bringing the numerous private sector support organizations in Barbados together - - "under the same roof for starters."

The Barbados Chamber is a voluntary membership organization established to advance and facilitate enterprise, trade, business relationships and associations in Barbados.

The Barbados Chamber is a long established organization and its membership includes the majority of the large commercial and manufacturing organizations including banks, international corporations and other associations, such as the Barbados Manufacturers' Association.

While the President of the Chamber has plans to stimulate memberhsip of small businesses, the small entrepreneur does not constitute a significant number of members and none of the small businesses interviewed see themselves participating with the Chamber.

Comments:

The Chamber is keenly interested in promoting private enterprise in Barbados. Efforts such as the "Freedom of Enterprise Program," promoting private enterprise in approximately 30 schools, and their "Junior Achievelment Program" with 200 students participating annually are examples of programs its President would like to see expanded. In coordination with BAIC, the Chamber could prove to be a logical conduit for the promotional (cultural, educaitonal, etc.) aspects of USAID's private sector development initiatives.

The efforts of the Chamber should be followed in their attempts to coordinate private enterprise association programming (Small Business Association (SBA); CAIC; Barbados Manukfacturers Association BMA; etc.).

Pan American Developkment Foundation (PADF)

With USAID funding the Pan American Development Foundation has been responsible for the start-up and technical assistance provided to four National Development foundations, one each in Barbados, Dominica, Haiti, and St. Lucia. Funding for operations of the NDF's is being sought from the Inter-American Development Bank and USAID. The National Development Foundation Barbados has a proposal to PADF for USAID funding of US $500,000.

The National Developmenmt Foundation Barbados (NDFB)

The National Development Foundation of Barbados utilizing CIDA funds and local funds started in June 1983. With this operating budget of approximately US $50,000 a manager and secretary, the Foundation is still in its early organizational efforts. A Peace Corps volunteer with her M.B.A will be starting soon at the foundation.

The objectives of the Foundation are to enable the Micro-business (up to BD $15,000 in machinery and equipment) entrepreneur to create, or to expand, a profitable source of employment for himself or herself and for others too.

No loans have been granted as yet. Approximately ten small loans have been guaranteed for "bridge financing" for a total of

BD $10,000. All recipients were Black Barbadians with two of the entrepreneurs being women.

Comments:

The NDFB managing director was very interested in receiving information and training (for future staff) in the management of small loan program portfolios. There is concern expressed in the business community that the NDFB loan program will be slow and ineffective as "so many of the small loan programs" administered throughout the region. USAID has relevant experience and very effective models on the management and follow-up of small business loan programs. This type of training program appears to be very important in the Eastern Caribbean.

The Barbados Manufacturer's Association BMA)

The objectivees of the Barbados Manufacturers' Association (BMA) are similar to those of the Chamber from which it developed but in particular they include the following:

- To promote and encourage the development in Barbados of manufacturing operatives suitable to the community and capable of making a contribution to the development of the island.

- To encourage and assist manufacturers in the use of efficient and sound methods of manufacture, and the production of products of high quality standards.

- To assist in securing markets for both raw materials and finished products.

- To consult together as to problems affecting local manufacturing industries and to take such action from time to time as may be thought expedient.

The BMA currently has a little over 150 ordinary members and some 15 associate members. The members are categorized into four groups - Food and Beverage Manufacturers (15), Garment Manufacturers (16), Furniture Manufacturers (16), and Engineering and Hardward (34). Many of the manufacturers are "foreign investors" but there are a large number of indigenous firms owned and operated by Barbadians. One consideration that affects the classification of firms into manufacturing concerns is that they are defined and accept themselves, as being "small" when in fact, both in terms of sales and number of employees, they are sizeable by Barbadian standards.

BMA is operated by an executive director and two support staff. BMA is supported by subscriptions from members at BD $260 per annum for the smallest manufacturers and BD $1,000 from the largest. The Executive Director stated that "membership is made-up of 50% medium to small and 50% large manufacturers." BMA operates in the deficit and is looking to both expand services

and work more closely with existing small business institutions. Offices have recently been acquired near the Deep Water Harbour close to the Industrial Development Corporation. Attempts are being made to provide office space (sub-lease) to the Small Business Association.

Comments:

However well intended and enthusiastic the person/office, BMA is unable to perform effectively and appears to be close to insolvency.

Small Business Association (SBA)

The Small Business Association is incorporated as a non-Profit organization, established in 1979. The Association is viewed as the "most representative of the Black Barbadian small business advocate." The existing institutions and Barbados Manufacturers Association were seen "as not fully aware of the problems confronting small businesses in Barbados".

Currently the Association claims 70 members from the handicraft industry, furniture industry, garment industry, retail shoppers, gas station owners, taxi owners and hotel industry.

The Association has been credited with effectively presenting the case and lobbying before government, the Central Bank, Barbados Development Bank, IDC and others on behalf of the small business entrepreneuer.

Efforts are underway to obtain funding for a permanent staff and implementation program.

The National Association of the Partners of the Alliance, Partners of the Americas

The National Association provides overall service and guidance to 54 "Partnerships" between volunteer groups in 44 US states and 27 Latin Americanand Caribbean countries. The Small Business Assistance Programme is an exchange project intended to improve access to the U.S. market for Caribbean products. United States business experts make market assessment missions to their Partner Caribbean country and identify product design modifications necessary for the products to be competitive in the U.S. market. This project is USAID funded.

At this time an evaluation has been completed (Feb '85) on the "Partners Program." [See Women in Development Office, USAID Washington, D.C.]

Agriculture Commodity Trading Company (AGCTCO)

AGCTCO is a private company, started in 1982. Through its close ties with the Barbados Agriculture Society, AGCTO successfully promotes and markets agriculture produce (some

meats) to the U.K. and the U.S. markets [$B.D. 2.0 million in 1984]. Supported by USAID, CIDA, and recently the World Bank, the dedicated staff are looking to:

a) improve outreach and assistance to small producers (upgrade standards, storage, etc.)

b) improve (produce/meat) grading, packaging, and

c) develop sales links (permanent) to the U.S.

AGCTCO charges a nominal fee (pennies/lb.) from their clients and is working to break-even on operating costs within this calendar year.

Comments:

The lack of an adequate and suitable marketing system has often been identified as one of the main factors inhibiting the devlelopment of non-sugar agriculture and agrobusiness. AGCTO's purchasing, grading/processing (not performed by "hawkers") and sales model is worth further analysis as a potential strategy for expansion in future programming.

CADEC

The Caribbean Christian Council (CCC) was established in 1973, representing 29 denominations in the Caribbean Region. CADEC (Christian Action for Development in the Caribbean) is the development agency for the CCC. Activities include an educational programme, the holding of seminars and consultations on development topics and scholarships for training overseas in a variety of areas. CADEC has a loan fund that has provided assistance to lower income persons for the establishment of small businesses. The fund has had a low repayment due to the lack of monitoring of projects. CADEC is a contact between local development needs and sources of funding overseas. It provides some financial assistance to projects in the Caribbean. Sources of funding include British Council of Churches, Church World Services, Heifer Project International, ATI, VITA, CIDA, CODEL.

Comments:

CADEC efforts to assist in small business have not been notibly successful. This is due in part to their focus on development rather than profit, but their main problem has been loan collection. They have never received support from AID. Although the Church does not seem in need of funds, CADEC did apply to the Inter-American Development Bank for assistance in their loan programme.

Their request was denied, in part due to their policy on fiscal reporting. CADEC does not conform to the AID or IADB requirements for access to their accounting. Based on their structure and relationship with the CCC it would be difficult to suggest their participation in this project. They would be able to assist in the identificaiton of small businesses but in terms of training or loan administration appear that they would not be suitable for a USAID small business development program.

National Organization of Women

NOW serves as an umbrella coordination organization representing 115 member women's organizations. Courses and a few scholarships are offered, weekly broadcasts deal with human rights and legislation relating to women. In addition, a small business venture was established to produce various bakery items and sell them wholesale. Three women are employed fulltime and a peace corps volunteer has been secured. NOW receives dues from member organizations and individuals and an annual government subvention. There have been grants from OAS, USAID, WAND and the UN Voluntary Fund.

Women In Development (WID, Limited)

WID, Ltd. is the only regional organisation that devotes its entire programme activities to women in business. The WID Placement Centre assists in linking women with jobs while the loan programme extends credit (loans from $100 through $10,000) and business support services. Three different loan funds with different criteria meet the needs of all applicants (AID, IADB and Barclays Bank).

WID previously received an Operational Programme Grant from AID for a three year period, has been audited and evaluated and is well versed in AID operations and requirements. Since 1979, WID has had a Peace Corp volunteer on staff.

Comments:

WID Ltd. has carried-out regional program planning functions in the past and has amassed invaluable experience in outreach and support programming for women entrepreneurs. Due to a limited budget and staff, their regional capacity is nil.

Howwever, WID Ltd. should play a keyrole in any new small business support program in the Eastern Caribbean.

Financial Institutions (Technical Assistance Role)

Development banks, departments or development funds of commercial banks and other financing sources such as credit unions, the Barbados National Development Foundation, etc. provide follow-up and informal business management assistance to their customers, "as a matter of course." Bankers agree that it is "normal management of their loan portfolios," especially among small business clientelle. The quality and quantity of assistance varies from organization to organization and loan to loan.

D. Barbados: Financial Support Institutions

Development credit in Barbados, for small business, is administered by:

i Barbados Development Bank (BDB), loans, purchase of shares, loan guarantees;

ii Central Bank of Barbados (CBB), credit guarantee scheme for small business;

iii Commercial Banks (Barclays Development Fund), by means of overdraft facilities and direct lending;

iv Credit Unions, revolving loan funds available to members; and a variety of

v Private Development Entities, including the National Development Foundation, Christian Action for Development in the Caribbean (CADEC), and Women in Development Ltd. (WID Ltd.), etc., with small business loan funds.

Based on conversations with the manager, Credit Insurance and Guarantee Department at the Central Bank of Barbados, Commercial Bank Managers, all of the "Private Development Entities" with revolving loan funds, and credit union managers, the following general characteristics can be outlined regarding development credit for small business in Barbados.

1. The availability of credit for small business in Barbados in 1984 was not a major issue. Credit restrictions introduced under the government's stabilization program did not significantly affect small business and in 1983 and 1984 new small business credit programs have been initiated (e.g., Barbados National Development Foundation).

Table 2

Financial Support Institutions: Barbados

Institution	Loan Selection Criteria	Target Business Size Micro/Household	Small	Medium	Comments
Barbados Devel. Bank	"Productive Sector" Employment Generation. 40% Participation in Cost of Project by Small Business		some	*	Expanding portfolio to small business
Central Bank (Credit Guarantee Scheme)	Total Business Capital <$100,000 Annual Sales <$500,000		some	*	Businesses with insuficient collateral to obtain commercial loan
Commercial Banks	Equity Equal to 100% of Total Debt			* (large)	overdraft system
Barclays Dev. Fund	Economically Viable Small Business		*	*	several small businesses in PfP survey received Barclays' Loan
Credit Unions	Membership	*	*		Very good performance of loan portfolio, good model
Private Development Entities					
- N.D.F.	- Fixed Assets $15,000 or less	*			Newly formed, need credit lending & portfolio management training
- CADEC	- Community Impact	*			Under reorganization due to losses
- WID Ltd.	- Women entreprenours	*	*		Looking to expand; need funds and portfolio management training
Caribbean Financial Services Corp.	Fixed Assets >$50,000 long term loans			(very large)	Just organizing

2. Poorly conceived projects and management expertise are cited by bankers as keys to their reluctance to finance small businesses.

3. Their is hesitancy by the lenders to accept guarantees due to concern that the project should "stand on its own," and their not wanting to "call a loan", and the need to request a guarantor to "make payment." The Central Bank guarantee scheme covered 28 small businesses in 1984 and has claims in 1985 of approximately $BD 80,000.

4. Small business entrepreneurs complain about the lack of financial support available to them and the excessive demands for collateral to obtain credit. However, when asked about future market plans, their ability to absorb additional credit, and investment priority, their is often confusion and lack of records to substantiate growth forecasts.

5. Small manufacturer's concentrate on expansion needs rather than investment plans for upgrading existing plant efficiency and capacity utilization. (Surveys among small manufacturers indicated that most plants operate at under 70% capacity).

6. Small business entrepreneurs point to excessive paperwork and time delays in receiving credit.

7. The National Development Foundation and the numerous other "Private Development Entities" with revolving loan funds (WID Ltd., CADEC, etc.) would welcome the training of their staff in proven methods of administering a small business loan portfolio.

8. The Credit Unions in Barbados operate effective programs of lending to micro enterprises, including women entrepreneurs and individual building (housing) contractors. The credit union activity in Barbados also suggests considerable depth in savings among low and moderate income households.

9. The Central Bank, National Development Foundation, Caribbean Financial Services Corporation as well as numerous business association management point to the need to develop a private venture capital company. Banks and foundations are not constituted, nor financed to take risk.

10. A process of building operational linkages has been underway since 1982 among the variety of agencies involved in industrial development. The Barbados Chamber of Commerce, I.D.C., Central Bank, Barbados Mfg. Association, Small Business Association, Barbados Workers Union, the Customs Dept., and the Ministry of Trade and Industry have been meeting within a "coordinating mechanism" to develop policy guidelines and to reinforce particular export strategies, etc.

These coordinating mechanisms should be reinforced and appropriate incentives established to either expand existing or develop new mechanisms among small business institutions (TA/Training Support and Financial Institutions).

IV. Business Opportunities In Barbados- Preliminary Identification

Small business in Barbados suffers from the previously documented operational problems and constraints, such that serious discussion of export by individual small business is unlikely. Discussed here are new business opportunities that arose from the interviewing of small business entrepreneurs in Barbados.

Two business ideas (Mariculture/Agrobusiness) would rely on a mechanism to form an association or cooperative type of venture so that the individual entrepreneurs could share costs of intrastructure, equipment, and possibly in the various stages in the production process and marketing programs, etc. The Barbados Industrial Development Corporation has been successful in bringing together a number of furniture manufacturers onto one industrial park so as to share costs and access to a single kiln dryer, raw materials purchase, technical assistance and marketing costs, etc.

The third business idea is a common maintenance garage/service center (which too could house numerous small mechanics and body repair entrepreneurs or businesses) to be located in or near one of the I.D.C. industrial parks.

A. Mariculture - Shrimp Farming/Conch Farming

Costs associated with site preparation and 'control pond' development for shrimp farming is moderate. PDAP has assisted an mariculture project (shrimp - producing) in St. Kitts and recently investment has been made in the Bahamas by a Texas based company. Start-up costs for 20 hectares of land devoted to the farm would be approximately $75,000 to $100,000.

The advantages of the concept are the: a) ready local market (hotels), and future markets in the United States (no shipping necessary at the outset); b) developed shrimp farming systems in the Caribbean; and c) high rates of return on investment.

The conch farm idea (see Providenciales, north of Haiti) is seasonally labor intensive while much less costly to establish.

B. Agrobusiness - Nurseries

In the St. Phillips Parish exists a large number of small land holders. The head of the household often commutes to Christ Church (Bridgetown) to operate a business or hold a job.

Literally hundrds of women and grown family members tend to small plots of land, on or around their home property.

Cumberbatch Nursery, interviewed during the PFP island visit, is interested in developing an association (women) to assist in the organization of small nurseries for export of cut flowers and plants into the U.S.

Although nursery business start-up costs are high (land, equipment, starterplants, etc.) this association would be made up of small land holders, already in possession of their start-up needs and experienced over a long period of time in the business.

CDB approached Mrs. Cumberbatch ($BD 300,000 annual sales; $BD 400,000 in equipment and machinery) to appraise her potential for expansion. The findings were favorable. However, Mrs. Cumberbatch did not proceed with the loan and expansion program due to the sales program based on a consignment arrangement. She did not approve of the "formula."

Her needs and that of the association would be to have a person or persons in the U.S. who would purchase from them and sell throughout the local (U.S.) market.

C. Service-Maintenance Garage/Service Center

Through discussion with a Barbados interview team member (formerly employed in England at a diagnostic/service center) the maintenance garage idea was brought up. The concept would involve the location of one or more centers within or close to one of BDC's (9) industrial parks. Maintenance contracts would be established with manufacturers (vehicles and machinery) and would necessarily (for sufficient business volume) be open to individuals, and government, etc.

Entire start-up costs for hydraulic lifts, diagnostic machinery, tools and equipment are estimated at $U.S. 300,000; annual sales are estimated at $250,000.

At the beginning employment/business person participation would be 10 to 15 persons with upper limits around 20 persons.

V. Policy Considerations and Recommendations

Constraint

High levels of income and corporate taxation have been cited as a disincentive to small and medium sized businesses. Large local businesses and foreign businesses are able to assit their managers and owners to avoid personal income taxes through salary payments out of country and provision of employment benefits which are tax deductible expenses to the businesses. The small entrepreneur who wants to avoid excessive taxation does so by the under-reporting of income and the avoidance of any record keeping which might create an audit trail for tax collectors. Not only do high income taxes encourage cheating, lying and distrust but they are also counter-productive to business investment, employment creation, and increasing the tax base.

In developed countries a progressive income tax system is an important instrument for a more equitable distribution of income in society. However, an equitable income distribution is achieved at the cost of lower savings because the lower net income recipients tend to consume a higher portion of their income.

Since the Eastern Caribbean has a relatively high index of income distribution, social policy considerations are not as operative as the need to encourage savings for investment. The governments of the Eastern Caribbean should not count on fluctuating outside funds for capital investment in productive and service industries and infrastructure.

A deceptively "easy" source of revenue for governments is import taxes. The rationale is that import duties are easy to collect and discourage loss of foreign exchange. In some Eastern Caribbean countries (as elsewhere), high import duties have encouraged contraband and bribery. The effects of tax avoidance and cheating are more serious than simply loss of tax revenues. They include promotion and distrust among key actors in the economy and society, and increased perceptions of the lack of effectiveness of government, and contribute to a decline in business activity, which is the principal creation and distribution of wealth through the provision of goods, services, and jobs.

Recommendation

For the foregoing reasons, the government(s) of Barbados (the Eastern Caribbean) should be encouraged to review their tax laws. A change in the "mix" of taxes and rates will promote business growth, capital formation and investment and job creation. It is recommended that a team of tax specialists review taxation in each country, with the end product of the review to be a specifica tax package designed to maintain government revenues while promoting growth along with a specific plan and schedule for implementation.

The particulars of the tax package include tax holidays for small businesses (similar to those offered to foreign business), lower corporate and personal income tax rates, lower license and permit fees, and lower import duties.

The issue of the benefits of foreign investment needs to be examined. If direct fiscal impact (i.e., tax exoneration) is lowered, then the benefits to the economy in terms of jobs, technology transfer and transfer of management techniques should be significant.

Indeed, it can be demonstrated that there is capital available for the region, but it does not find its way to local investments or investment institutions. For example, emmigrant earnings return to the region to assit the family or the wage earner, or to purchase property. Rarely does it capitalize a business because of the lack of incentives to invest locally in the E.C.

Such a tax policy investigation will perform the following functions:

- It will document and expose the disincentive to invest in productive enterprises in the region.
- It will demonstrate to local governments the time effect of present tax practices and policies.
- It will recommend changes that would create a competitive investment climate.
- It would recommend and forecast alternate revenue sources to the governments.
- It would enable those governments to promote growth, rather than receiving grants, to know how to procede with tax policies designed for business investment by their own citizens.
- It would enable interested foreign investors to find capable joint venture partners.

Constraint

in Barbados, as throughout the Eastern lKCaribbean, micro and small business entrepreneurs are not represented on the Statutory Boards, nor do they receive the benefits and development incentives afforded to the "total business community."

Both the government and business can serve as sources of talent, information and assistance for each other. Steps should be taken to encourage sufficient and continuing (not occasional) dialogue and cooperation between government and business. While the tensions between business and government appeared to have

eased in recent years, the small business sector is largely ignored. While any particular small business may not be as "spectacular" in terms of assets, revenue volume or numbers of jobs, the small business subsector is collectively more significant in its contribution to the economy than medium and large businesses.

Recommendation

It is recommended that the small entrepreneur be encouraged to participate within a public/private sector "coordinating mechanism" with appropriate incentives established to assure active participation.

Support funds for the Small Business Association to provide office space and operating capital for a designated time and performance contract could prove the most effective (short-term) strategy.

Constraint

Overlapping research, programming and implementation of public, private and international (donor) institutions.

Recommendation

If the public, private and international sector institutions are to optimize their efforts and plan their operations effectively, they need to obtain, provide and coordinate the basic information common to all. The number of government, private sector and international agencies conducting surveys and gathering information are overwhelming, redundant and expensive. Many of the respondents do not reply or indifferently give inaccurate or partial information because they feel it is a waste of their time.

Recently in Jamaica, the World Bank and USAID Housing participated in joint research and program strategy missions. The outcome was the provision to the G.O.J. of their Third Structural Adjustment program coordinated with USAID Housing policy and programming.

USAID Barbados should initiate steps and funding for coordinated research and programming with the World Bank for starters and eventually work with CIDA, BDD, etc.

Constraint

Technical Assistance/Management Training inadequacies, overlap and resource waste

Recommendation

The activities of the institutions supporting small business and funded by USAID need to be both expanded and coordinated.

USAID Barbados should appoint a "lead" institution (BAIC) to coordinate all funding proposals (plans and programs) of the other institutions (BIMAP, NDFB, SBA, AGCTO, WID Ltd, etc.) active in the micro/small business sector.

Constraint

Venture capital for business start-up and improved performance of tne numerous small business credit programs.

Recommendation

a) The establishment of a venture capital corporation or company with the following basic characteristics:

- Independent activity - purely a private sector mechanism with no political agenda.

- New establishment with local absorption within 3-5 years.

- Withdrawal of venture capital shares (based on performance) to 100% local ownership and control.

b) The provision by USAID of a person or persons to come to Barbados to train staff members of non-financial institutions (and where invited financial institutions) the proven model in small business credit programming and follow-up.

Constraint

Marketing links to the United States.

Recommendation

The establishment of a U.S. based import/export company to represent and advise Barbados small businesses on the ins and outs of export to the United States. The person or company would sell local (Barbados/Eastern Caribbean) products and be self-supporting within a pre-designated time period. (See CAIC needs and plans and AGCTO needs.)

ANNEXES

ANNEXES

ANNEXES 1: Reports Surveys other Materials for Analysis of SBE's in Barbados

- Small Business in Barbados: A case of survival. Christine Barrow and J. E. Greene; Institute of Social and Economic Research. 1979

- Survey of Plant Capacity and Utilization in the Manufacturing sector in Barbados on behalf of The Barbados Manufacturers Association. By: Antilles Investment and Management Consultants May 1984.

- Small Business In The Caribbean - A Study of Programs supporting Small Business Development and Entrepreneurship Michael G. White. Inter American Foundation March 1984

ANNEX 2: Types of Manufacturing In Barbados

The types of manufacturing in Barbados are as follows:-

(i) 311-312 FOOD MANUFACTURING - these include the production of such things as: Salad dressing, Milk, Aircraft Catering, All Purpose Flour, Vegetable Oils, Ice Cream, Baking Powder, Macaroni, Spices, Jams, Tomato Ketchup, Margarine, Food Colours.

(ii) 313 Beverage Industries - Beer, Rum Liqueurs, Whisky, Rubbing Alcohol, Mentholated Spirits.

(iii) 314 TOBACCO MANUFACTURE - Cigarettes.

(iv) 321 MANUFACTURE OF TEXTILES - Original Hand Dyed Batik, Window Shades, Handicrafts, Custom made Bed Spreads, Napkins, Towels, Gloves, Socks.

(v) 322 MANUFACTURE OF WEARING APPAREL EXCEPT FOOTWEAR - Ladies Brassieres, Caps, Souvenir Items, Lingerie, Jeans.

(vi) 323 MANUFACTURE OF LEATHER AND PRODUCTS OF LEATHER - Suitcases, Purses, Handbags.

(vii) 332 MANUFACTURE OF FURNITURE AND FIXTURES EXCEPT PRIMARILY METAL - Wooden Furniture, Mattresses, Upholstered Furniture, Couches.

(viii) 343 MANUFACTURE OF PAPER AND PAPER PRODUCTS - Colour Brochures, Boxes, Textbooks, Toilet Tissue, Sanitiary Napkins, Office Stationery.

(ix) 351 MANUFACTURE OF INDUSTRIAL CHEMICALS - Acetylene, Carbon Dioxide, Detergents, Dishwashing Liquid.

(x) 352 MANUFACTURE OF OTHER CHEMICAL PRODUCTS - Insecticides, Perfume, Pharmaceutical Products, Rust Treatments, Adhesives, Oil Paints, Surface Treatments.

(xi) 356 MANUFACTURE OF PLASTIC PRODUCTS - Handles for bags, Plastic Bags, Drinking Straws, Clothes Hangers, Beach Mats, Irrigation Pipes, Plastic Bottles.

(xii) 361 MANUFACTURE OF POTTERY, CHINA & EARTHENWARE - Ceramics

(xiii) 362 MANUFACTURE OF GLASS AND GLASS PRODUCTS - Decorative Glass Processing

(xiv) 369 MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS - SB Floors and Roofs, Marble Countertops, Coral Dust, Tanks.

(xv) 371 MANUFACTURE OF FABRICATED METAL PRO-DUCTS, MACHINERY AND EQUIPMENT - Machine parts, Decramastic Roof Tiles, Vacuum Pans, Wire and Finishing Nails, Air Conditioning Units, Computer Components, AES Word Processors, Batteries.

(xvii) 383 MANUFACTURE OF ELECTRICAL MACHINERY, APPARATUS, APPLIANCES AMD SUPPLIES - Toroids, Printed Circuit Boards, Cable Harness, Electronic Emergency Light and Power Systems, Batteries (Lead Acid Accumulators).

(xviii) 385 MANUFACTURE OF PHOTOGRAPHIC AND OPTICAL GOODS - Prescribed Spectacles, Plastic Spectacle Frames.

(xix) 390 OTHER MANUFACTURING INDUSTRIES - Speakers, Umbrellas, Audio Cassette Tapes, Burglar Alarms, Rubber Stamps, Brooms, Mosquito Coils, Watches.

ANNEX 3

BUSINESS FACT SHEETS

BARBADOS

(Millions of U.S. Dollars)

	1981	1982	1983	January-August 1983	January-August 1984
U.S. EXPORTS (Schedule B)					
Major Exports					
Electrical machinery (687) (685)	6.0	13.2	44.7	24.5	61.6
Office machines (676)	3.2	10.0	9.7	6.2	3.3
General Merchandise (818)	4.5	4.7	6.4	3.6	5.5
Grains (130)	6.1	6.2	5.9	3.6	4.5
Womens & girls apparel (383)	2.5	4.4	4.8	3.5	2.4
Edible preps, other (182)	2.5	2.7	3.9	2.4	2.6
Other machines (678)	2.4	6.6	3.9	3.0	6.1
Gloves, of textile materials (704)	2.9	2.3	3.8	2.1	2.9
Boilers, engines (661)	4.3	4.2	3.8	2.4	1.7
Lumber (202)	5.9	3.9	3.6	2.6	1.3
Total Major Exports	40.3	58.2	90.5	53.9	91.9
Total U.S. Exports	145.9	152.3	192.5	117.7	157.4
U.S. IMPORTS (TSUSA)					
Major Imports					
Electrical mach (685-688)	42.2	66.4	154.9	76.3	154.6
Garters & suspenders (376)	8.4	9.7	10.5	7.0	4.1
Sugars, sirups, molasses (155)	13.1	12.2	9.0	1.1	5.9
Lace or net wg apparel (383) (379)	0	7.1	10.7	7.1	5.1
Office machines (676)	2.1	3.4	5.8	4.0	3.1
U.S. products returned (800)	3.6	2.6	4.2	3.6	4.2
Gloves, not of textile mat. (705)	4.5	4.7	3.0	1.7	2.9
Measuring instruments (712)	0.9	1.0	1.1	0.6	1.1
Spirits (169)	0.6	0.4	0.8	0.5	0.6
Total Major Imports	75.4	107.5	200.0	101.9	181.6
Total U.S. Imports	80.7	106.7	202.0	103.3	183.3

BARBADOS

Good Prospects for U.S. Exports

- Construction Equipment and Supplies
- Light Manuf. Industrial Machinery and Apparatus
- Consumer Goods
- Hotel and Restaurant Equipment and Supplies
- Data Processing Equipment

Good Prospects for Investments, Joint-Ventures and Licensing

- Electronic Components/Assembly
- Furniture
- Food Processing/Marketing
- Garments

Macroeconomic Indicators

- Gross Domestic Product (1981): $819 million.
- Growth in Real GDP (1981): minus 2.6 percent.
- Population (1983 est.): 251,000.
- GDP Per Capita (1981): $3,271.
- Foreign Exchange Reserves, Net (1982): working balance.
- Balance on Current Account (1981): $88 million deficit.
- Inflation Rate (1981 est.): 12 percent.
- Exchange Rate (1983): US$1.00 = BD$2.01.
- U.S. Investments (1981): $41 million.

Labor Force

- Size of Labor Force (1983): About 115,600.
- Unemployment Rate (1983): 16 percent
- Skill Levels: A major supply of skilled as well as less-skilled labor.
- Wage Rates: Unskilled industrial worker is paid $27.30 per week; Unionized Class A industrial worker, $46 and Class B industrial worker, $39.
- Labor unions: One main industrial union with negotiating sub-divisions for each industry. Other unions represent teachers and government workers.

BARBADOS

Trade and Investment Climate

- Investment Incentives: Up to 10 years exemption from customs, corporate, and dividend taxes to approved firms.
- Corporate Taxes: Rate of 45 percent applies to any corporate entity or unicorporated association (not including partnership) not enjoying tax holiday privileges granted approved firms.
- Repatriation of Profits: Remittance of earnings and capital related to investments registered with the Central Bank routinely permitted with satisfactory documentation.
- Availability of Local Financing: Foreigners may borrow from local sources subject to Central Bank approval, although foreign-financed projects more welcomed.
- Import Restrictions: Import quotas, consumption taxes and import licensing are selectively used to generate revenue and to protect local producers and industries of the Caribbean Common Market (CARICOM) to which Barbados belongs. Restrictive 30-90 percent ad valorem tariff rates are applied to many imports of consumer goods in accordance with the CARICOM common external tariff schedule.
- Exchange Controls: Dealers authorized by the Central Bank disburse foreign exchange for normal import payments except to South Africa. Interest and royalities arising from approved agreements, profits, dividends, and capital remittances are rarely controlled by the Central Bank.
- Local Content/Export Performance Requirements: None. But firms producing exclusively for export outside of the Caricom region get maximum exemptions from income tax and customs duties under the CARICOM Fiscal Incentives Act.
- Double Taxation Treaty with U.S.: Yes
- Infrastructure: Amply supports a well-developed light manufacturing sector as well as tourism and export sugar industry.
- Form of Government: Parlimentary democracy practiced over 200 years. The government is elected for 5 years unless earlier earlier elections are called by the ruling party. Present government elected in June 1981 and led by Prime Minister "Tom" Adams who heads the Labor Party which has a 10 to 17 seats in the House of Assembly. The country has been independent since November 1966, and is a member of the British Commonwealth of Nations.

REPORT ON THE

SMALL BUSINESSES SERVEYED

IN

DOMINICA

I. BACKGROUND AND SUMMARY

A. Socio-Economic Setting

Dominica has completed its psychological and economic recovery from social unrest in the 1970s and major hurricanes in 1979 and 1980. Stable political leadership favouring small business development as the source of social and economic stability, is expected to continue through this decade.

Its small population of 82,000 (1985 estimate from Division of Statistics) grows about 1 percent per year and cannot easily support the kind of business activity that benefits from economies of scale.

Culturally it is unwise to manage enterprises with firm rewards and punishments as people hold grudges for a life time. Managers reason that a day will come when a former employee will be in a position to get even. The island is too small for people to avoid each other. As a result managers tend to let quality control standards remain low, while keeping a higher cooperative and friendly spirit. One of the worst things to say to a Dominican is that it is his/her fault. They fear making mistakes and being laughed at. Qualified managers with the proper tact and diplomacy for this cultural situation are very rare.

Entrepreneurial spirit is very strong, but entrepreneurial skills are very weak. It is estimated that there are between 750 to 1,000 small businesses in Dominica. This includes hucksering, light manufacturing, commerce, agrobusiness and services. Starting a small business is the "in thing" to do.

There are 678 businesses registered with the government. Total registered employment in 1983 was 24,356 for a total earning of ED $80,253,992. Of this employment, 8,777 work for the government. The unemployment rate is estimated at 12 - 13 percent for 1985. This is artificially low since many jobs are being temporarily filled by massive (for Dominica) road construction projects. Over 50 percent of the work force is unionized. 14,375 belong to seven labour unions.

Minimum Wage Per 40-Hour Week In U.S. Currency
(vary by type)

Household Helper	$11.11	(Collective Bargaining Agreement)
Unskilled labor	22.70	(28.00)
Semi-skilled labor	32.22	(40.00)
Skilled labor	45.90	(80.00)
Highly skilled labor	65.00	
General Clerk	37.00	

The inflation rate has dropped from a high of 32.8 percent in 1980 to 2.1 percent in 1984. Food indicators make up food is from the U.K. The falling value of the British pound has contributed to bringing down the inflation rate. Total export (EC $72,280,344 domestice export and $1,891,013 re-export) EC $74,171,357 minus $121,709,.985 for total import left a negative balance of trade for 1983 of $47,538,628. Since banana export is the largest portion of the export (over 30 percent of the national product) and the crop is sold to the U.K. for pounds which are still losing value, this deficit picture may not improve without new growth industries. This is borne out by the first three quarters of 1984 (January to September). Total export $51,750,000 minus $117,538,000 in imports left a negative balance of $65,788,000.

48 percent of the measurable economy is in services, 30.7 percent in agriculture, 7.3 percent manufacturing, 10 percent construction, and 4 percent other. Foreign private investment in the economy is negligible; however, this is expected to change as recent foreign investments in garments and roofing materials become successful and the Industrial Development Corporation and the Association of Industry and Commerce improve their services.

In the late 1970's the economy appeared to be poised for growth, but the hurricanes cut their momentum. Today, the economy, especially the small business community segment, appears ready for sustained growth. Many small businesses have sprung up in the past four years and several new organizations have grown to assist that growth. Today there is a strong interest in cooperation among institutions that serve small businesses or who could serve small businesses.

Situated close to two noticeably wealthier islands, Guadalupe and Martinique, people feel defensive and cut off from the main stream of international economic life. Foreigners regularly think Dominica is the Dominican Republic, and a noticeable proportion of Dominica's mail is directed from the U.S. to the Dominican Republic.

B. Problems of Small Business

A representative sampling of forty-two small businesses in agrobusiness, light manufacturing, and service were surveyed as well as seventeen institutions that serve small business. The following list of twenty constraints to business were generated from these interviews. Further discussion of these are detailed in Section V.

1. Lack of good managers who can serve as role models
2. Inappropriate management training
3. Cultural attitudes tend to thwart small business
4. Island market is too small to benefit from economies of scale
5. No communication system that serves small business for off island supply and market information
6. Mistrust prevents obvious forward and backward linkages
7. Lack of collateral to secure loans
8. Fragmentation and duplication of services to sector offered by local institutions
9. No place to get an overview and up-dates concerning the small business situation, or of what is offered by institutions that assist the sector, and provide a coherent and optimal matching of needs
10. No private sector policy for small business development
11. Lack of repair and maintenance for manufacturing equipment
12. Lack of appropriate in-town space for small business growth
13. Inappropriate pick up and delivery systems
14. Technical assistance by international agencies is uncoordinated and lacks a coherent and sectoral approach
15. Lack of regional coordination of both training and technical assistance which could make such assistance less costly
16. No export prepayment facility to avoid cash flow problems
17. No easy rapid access to bridge financing or venture capital
18. Import duty
19. Low consumption
20. Government officials attitudes toward small business owners

On two occasions during the brief two week stay, the study team member who is very familiar with Dominica, was able to convene group meetings involving business support institutions. They indicated a willingness to support and work with a program devised by U.S./AID to provide small business enterprise assistance as part of a regional strategy. Concrete suggestions and responses to a meaningful scenario will obviously be provided by them.

II. EXISTING SMALL BUSINESS

A. Introduction

An interview questionnaire created by the PfP team, was administered by the PfP consultant in Dominica, the Field Officers of the National Development Foundation, the small business advisor of the Community Development Division of the Government of Dominica, and Management Consultants Limited. Although a range of businesses were interviewed, the typical small business studied had assets of EC $5,000; annual sales of EC $10,000, had one employee, was in business for five years, sold to individuals; did not sub-contract work, had a single entry record book that was poorly kept, had attended ten years of school with one year of vocational education, started the business from personal savings of EC $2,500, expanded it with a small loan, and is in desperate need of closer management attention.

B.

1. RESULTS OF THE SURVEY

NUMBERED SURVEYED: 42

Agrobusiness	12
Light Manufacturing	14
Services	16

Male: 26 Female: 16

Average Years Experience in the Business: 8 years

Employment Averages per Business	
Part time:	1.7
Full time:	1.3
Seasonal:	1.1

Other than the owner/manager, twelve of the forty-two businesses employed no one else. Only two had sizeable seasonal hirings of twenty-four and twenty.

Of thirty-six responses the average number of years attendance at school was 10.75 years, while only 1.7 years was the average for vocational education or apprenticeships.

Three of the 42 businesses surveyed were not a business long enough to have an annual sales figure. Of the 39 respondents the average was $21,843. This is high because two businesses has annual rates of $132,000 and $125,000 EC.

The average start up cost per business was $7,169. Personal resources were used for seventeen, NDFD had funded 12, Community Development Division had assisted five, AID bank had financed three, two began with share capital sales, and one each had

received assistance from for the credit union, CADEC, Social Center, Youth Division, and Trickle-up Program.

Fixed assets averaged $8,395 (excluding two businesses with $484,64_ and $520,000 EC).

Eight businesses kept a separate check book for the business, while eighteen used a single entry record system and ten used a double entry system. One was listed as other while eleven of the forty-two surveyed maintain no records at all. Generally, people are keeping records but most are not kept in good order.

Thirteen said they had a marketing plan while eleven said they did not. Forty small businesses surveyed had their principle market on the island, four in the Eastern Caribbean, while only three export out of the region. All but one said they wanted to expand their market. Thirty-nine sell to individuals, none sold to small manufacturers, fourteen sold to small wholesalers, four to exporters, three to government, and five to institutions. Only four subcontract work and all but three have sought credit.

2. THE AGRO-INDUSTRIAL SECTOR IN DOMONICA

a. INTRODUCTION

(1) The Agro-Industrial Sector has been dominated by the food industry. Essential oils, mainly bay and lime, have also featured prominently in agro-industrial output. More specifically the food processing industry has, over the years, been built up in mainly primary and secondary processing.

(2) The principal agricultural crops that undergo primary processing are bananas, grapefruit, limes, and to a lesser extent root crops and pumpkins, etc. A small quantity of cocoa is also fermented dry and exported to the United Kingdom and Western Europe. Both grapefruit and bananas are currently suffering from the low value of the sterling against the dollar and this has served to reduce the returns to farmers engaged in that sector.

(3) The situation with respect to secondary processing falls far beyond expectation, and with few exceptions, conveys a picture of birth, stagnation, decay and finally disappearance. It would be useful to classify the secondary processing sector in two: the large- to medium-sized operations and the micro agro-industrial sector.

.Tables I and II below, summarily depict the recent history of performance of that sector.

(4) Since we are more specifically concerned with the micro business sector, we will examine it in closer detail.

Table I : Status of the Food Processing Industry in Dominica

Enterprise	Number Established	Year Established	Status	Remarks
Citrus processing	1	Pre 1970	Processing lime	Now owned by Dominica Agro Industries Ltd - a government owned company. Will expand product range to include passion fruit, aloe vera, and coffee.
Fruit and vegetable processing	1	Pre 1970	Operative	Processing principally hot peppers and passion fruit with small amounts of jams and jellies.
Copra	1	Pre 1970		Principal output has shifted from oil to soap and glycerine
Coffee Processing	1		Operating at significantly diminished levels	
Meat Processing	1	1980	Inoperative	Foreign owner has left country
Poultry Processing		1970	Never became operational	Equipment was obtained under grant, but never used
Biscuit manufacture		1970	Inoperative	
Noodles manufacture	1	1981	Operative	Unable to meet local demand
Sorrel Dehydration	1	1984	Operative	Fairly new. Hopes to sell 75% of output extra-

Table II : Micro Agro-Industries

Enterprise	Number Established	Year Established	Status	Remarks
Chip Manufacture	2	1983	Ongoing	One operation is a sole proprietorship located in the Roseau area. The other is a cooperative in the north east. Both require T.A.
Candying	2	1982 & 1983	One operational at low level. That established in 1983 not formally off the ground.	Both require venture capital and T.A.
Soya Products	2	1984	Both ongoing	Both appear to have potential for expansion
Wine Manufacture	2	1970 & 1983	Ongoing at very low level.	Both in need of sustained T. A.
Hot Pepper Sauce	1	1981	Ongoing	Home Operations with direct sale to supermarket.
Bottled Punches	1	1983	Operates now and then	In need of T. A.

b. SERVICE AND RAW MATERIAL INPUTS / PRODUCT OUTPUTS

(1) Raw material for the micro business sector comes largely from local sources. Candying, chip manufacturing, hot pepper sauce and wine manufacturing operations employ some 80 - 90% of local raw material input. Production levels however are low, with the combined operations, mainly chip manufacturing and candying being considerably less than ten tons in total output per annum. The bottled products, chiefly wine, hot pepper sauce and punches, also suffer from low levels of output. Combined output in these operations below 2000 gallons per annum. The soya operation is of fairly recent origin. Most of the soya beans however have to be imported since local farmers are not familiar with its cultivation. However from a casual observation of degree of acceptability of the product on the local market, it would appear that the line has tremendous potential for development.

(2) Packaging material is a problem for the entire micro business sector. Volumes of packaging material required, be they flexible films or plastic or glass bottles, are generally not available locally. Whatever is purchased on the local market, e.g., plastic bags, is usually not of the quality designed to ensure satisfactory shelf-life of the product, and the overall appearance, because of the absence of labels, leaves much to be desired.

c. MARKETS / VOLUMES AND UNIT PRICE

The sector has relied principally on the local market for sale of output, however due to the general low level of productivity and high raw material cost, prices are never competitive with imported alternatives readily available to the local supermarkets.

d. NEW JOBS CREATED / ESTIMATED WAGES

While there are no readily available statistics to determine the number of new jobs created annually by the local business sector, it is however possible to make an enlightened guess. If we define the small business sector to include the "tray business people" then it would be fair to say that approximately 400-500 jobs are created by that sector annually. The more formalised and structured operators in that sector receive average wages of $12 - $15 per day.

e. IMPEDIMENTS AND CONSTRAINTS

The impediments and constraints to development of the small business sector are numerous. While it is true that government is supportive of the development of agro-industries there seems however to be no clear strategy for facilitating that development beyond the granting of fiscal incentives and more recently in the erection of industrial sheds.

(1) The Industrial Development Corporation (IDC) is responsible for facilitating small business development. Though the IDC has done admirable work, one criticism levelled at it that seems justified, is its tendency to cater more to the foreign and/or large scale enterprise rather than the micro business sector.

(2) At the other level of policy-making the sector continues to await pronouncement of a clear strategy of import substitution buttressed by a vigilant approach to support those industries that have import substitution value. Operators within that sector see the requirement for such a strategy as vital to their sustained existence.

(3) The sector as a whole appears always to be attempting to solve a "chicken and egg" solution. Their smallness inhibits them from obtaining capital and while they need capital to consolidate themselves and to expand, there is virtually never a ready availability of industrial space, and where such space is available the rental tends to be prohibitively high; and on and on it goes.

(4) The National Development Foundation of Dominica (NDFD) and the Small Projects Assistance Team (SPAT), have been useful to the small business sector by way of providing credit. However, the NDFD operates through the commercial banks and the agreement with those banks is that loans should be made to NDFD clients about 1 - 2 percent above the prime rate. SPAT has tended to fund principally agricultural cooperatives and has not made any major impact outside of that area.

(5) Marketing continues to be the weak link in the overall agro business sector in Dominica. Small business operators, especially those in the agro business sector, do not in their proposals for establishment of an enterprise, properly evaluate, the requirements of the market. They have tended thus to make unrealistic projections about their volume of sales. Often adequate knowledge of the product itself and its method of presentation to the potential consumer is lacking. Some businesses have actually come on stream only to discover that the product or service that they were offering was not what the market required.

(6) Those small enterprises with potential for penetration of regional or extra-regional markets are without the know-how for penetration of those markets.

f. INVESTMENT REQUIREMENTS

(1) There continues to be a need for some form of venture capital to the micro-agro-industry sector to overcome teething problems which would place them on a sounder technical and business footing, which would in turn enable them to obtain funding from the NDFD and commercial banks.

(2) The absence of highly skilled machinists on the island has tended to make equipment fabrication and repair a nightmare to the small business sector. Where small scale equipment may be available, capital requirements are usually beyond the means of the enterprise.

g. ATTITUDE

(1) Operators in the small business sector, especially the more youthful and more recent entrants, carry with them into their business the expectations and desires of the current age. Usually they lack certain vital ingredients of the entrepreneurial spirit mainly patience, endurance, sacrifice and sustained hard work. Desire for instant results often overshadows the need for planning, scheduling and cost cutting. While this is understandable because of the general economic situation, it is vital that they all became inculcated with these intangible requirements for success in the business sector.

h. TECHNICAL ASSISTANCE

(1) The foregoing clearly indicates the need for technical assistance. If the many agro industries are to get off the ground and survive then it is imperative that technical assistance be available to them on a sustained basis. The areas in which technical assistance will continue to be required have been alluded to above.

(2) What needs to be worked out with clarity is the design and delivery of the technical assistance program that would bring about observable and measurable results fairly rapidly. One approach that MCL has conceptualised is the development of a technical assistance team for assessing agro industrial sector. That team would comprise 3 - 5 professionals with skills and proven abilities in the following areas: agro-processing, marketing and sales promotion, quality control and production programing, accounting and general management. These professionals could be retained by some parent organisation to provide services to small agro businesses on a sustained basis in their specific areas of competence.

(3) Due to some of the socio-cultural factors previously mentioned before, the personality of those carrying out development and technical assistance programs is just as important as the design of the program.

Dominica

NO. OF SERVICES	SERVICES	NO. OF EMPLOYEES	AMOUNT EC$
05	Accountants & Auditors	26	292,222.21
07	Lawyers	40	149,008.50
02	Surveyors	40	131,329.67
02	Doctors & Dentists	11	26,601.90
01	Computer Programming	01	12,000.00
06	Architects & Engineers	33	249,394.68
01	Management Consultants	09	76,990.00
01	Real Estate Agencies	01	425.00

STATUTARY BODIES

01	D.B.G.A.	2,063	3,055,100.70
01	D.A.M.B.	30	209,232.98
0	D/ca Tourist Board	11	102,030.15
01	Roseau Marketing Authority	08	53,100.52
01	Industrial Dev. Corp.	09	123,929.29
01	Govt. Housing/Loans Board	01	9,500.00
01	D/ca Social Security	48	617,692.10
01	External Trade Bureau	28	171,767.85
01	D/ca Port Authority	255	2,584,088.23
09		2,453	6,926.441.82

TOTAL 24,856 EC$ 80,253,991.69

DISTRIBUTION OF EMPLOYERS AND EMPLOYEES AND TOTAL EARNINGS BY NATURE OF BUSINESS

1983

No. of Enployers	Nature of Business	No of Employees	Remuneration
75	AGRICULTURE	1,192	1,563,862,54
54	MANUFACTURING	1,359	4,737,948,33
* 03	ELECTRICITY	264	1,533,128.15
01	SUPPLIES (WATER)	402	1,214,433.05
16	TRANSPORT	1,756	2,380,750.49
06	COMMUNICATION	371	2,634,828.65
160	TRADE AND COMMERCE	2,366	6,710,467.74
13	BANKING	317	3,153,980.69
07	INSURANCE	105	477,910.44
36	CONSTRUCTION	3,061	2,946,412.74
13	HOTEL	273	399,934.51
22	RESTAURANT	213	367,272.95
162	DOMESTIC	284	267,495.64
23	SCHOOL AND EDUCATION	505	1,945,013.31
18	SOCIAL SERVICES	252	749,716.17
16	CREDIT UNION	75	361,557.13
31	TOWN AND VILLAGE COUNCIL	490	595,362.96
07	TRADE UNIONS	42	248,532.42
02	EMPLOYERS ORGANISATION	10	57,651.00
03	ENTERTAINMENT	46	101,718,65
10	MISCELLANEOUS	34	76,592.00
678		13,417	32,524,569.56
	GOVERNMENT		
	MONTHLY	4,425	33,578,716.39
	FORTNIGHTLY	4,352	6,367,333.56
			39,946,049.95

III. INSTITUTIONAL RESOURCES AVAILABLE TO SMALL BUSINESS

A. Since hurricanes David and Allan in 1979 and 1980 were so severe, world attention focused on this small island, many relief, reconstruction, and development programs were introduced into came to Dominica. As a result there are more development programs than would be expected in such a small country.

The Government of Dominica requested that the Rockefeller Brothers Fund (RBF) open a small business development program during this period. RBF requested that PfP design and later funded such a program for PfP in Dominica. As a result, PfP has had in-depth experience in small business development and institutional development in Dominica since 1979. The mandate was to get activity going through institutional development, loans, training, and technical assistance.

The PfP research team prepared a survey questionnaire specifically designed for institutions. The following is a description of each of the key indigenous institutions that assist small business. Several were contacted both in individual interviews and in two group meetings held specifically to make recommendation for this study.

B. Description of Institutions

1. By Island

SMALL BUSINESS ASSOCIATION
46 Federation Drive
Goodwill
Dominica

Telephone: 1-809-445-4488

This local private sector organization is headed by Randy Laronde and has never received financial assistance. Its mandate is to represent small business interests to government and other interested organizations, buy or sell in bulk to cut costs, identify business opportunities, assist in market and production information, recommend clients to the National Development Foundation for technical and financial assistance, and act as a meeting facility for small business people.

All of the officers serve on a voluntary basis and expenses are paid from its member dues. There are 25 paid members of the SBA. Dues are $25 per year. Seven of these are independent sawyers who, together with 13 non-paying sawyers, have secured contracts to supply lumber as a group to the Government of Dominica, the Industrial Development Corporation, the Banana Growers Association, and an independent furniture business called Home Industries Cooperative.

It should be noted that funding from Canada and U.S. had been used since 1980 to get independent sawyers organized to

supply the Dominican market. This was to no avail; but the SBA, without funding and through voluntary efforts, was able to begin to supply this market.

With the noteable exception of the lumber program, the SBA is inactive and is likely to remain so until it gets some external financial assistance or the assignment of a Peace Corps Volunteer. As Michael White pointed out in an Inter American Development study:

> "One of the difficulties faced by the SBA (of Dominica) is that it depends largely on the voluntary contribution of the time and resources of its leaders. These are, themselves, small business entrepreneurers whose own enterprises depend for success on their constant personal attention. Without the aid of paid secretarial and other staff, the Association soon becomes a drain on a few persons who with the best intentions, cannot sustain their free inputs into the Association's development. In Barbados, some small institutional support is given by Government to the SBA. Consideration should be given to the provision of similar assistance to the SBA in Dominica. It might also be useful to include a representative of the small business community on the Board of NDFD."

Meanwhile the Eastern Caribbean, Natural Area Management Program headed by Allan Putney in St. Croix funded by the Rockefeller Brothers Fund is granting a solar drying kiln for the sawyers in Dominica and a revolving loan fund of $5,000 to pay sawyers upon receipt of lumber. The SBA president is a co-signer of the loan along with the Dominica Conservation Society.

The SBA would like technical assistance of 2 - 3 months in areas of light manufacturing of corn cob pipes, clocks, buttons, nails, etc. Ornamental plants and cut flowers are other promising areas but would require longer term technical assistance from cutting, through marketing, quality control, and transport to foreign markets.

There are not enough competent managers and short courses are not making a difference. SBA feels that managers need to be brought in to manager a portfolio of businesses. It is felt that furniture for export will work only if such a manager enforced quality control. Agricultural processing such as passion fruit juices, soursop, guava, papaya, Barbados cherry and other tropical fruits will need the same management and quality control on site. Plenty International has taken this approach with Soya bean products and is successfully marketing new products in Dominica like Soya Ice Cream.

Currently, 20 people are part of the lumber program and 18 are other small business members making a total of 38 beneficiaries of the SBA. There is approximately EC $500 in the SBA account.

The SBA has developed a series of suggestions with regard to taxation and other matters of concern to the sector which it is trying to lobby with government.

DOMINICA HUCKSTERS ASSOCIATION
P.O. Box 330
Roseau, Dominica

Executive Secretary, Cecil C. S. Joseph

The Dominica Hucksters Association is the first private sector and local association for independent traders in the Eastern Caribbean. The association's mandate includes group representation of interests to government, training its membership in marketing, credit, handling government relations, and establishing services such as insurance and shipping. The Executive Secretary and typist are full time employees. The officers serve on a voluntary basis.

The association assists its members in getting visas and import and export licenses. A huckster's license costs EC $30/year. The association holds training programs for post-harvest technology to advise farmers how to prepare and package produce for hucksters to pick up as well as training in the importance of packaging. It also makes information available about potential markets and market segments.

To add to the revenue from member dues. The association plans to charge its members for preparing their shipping bills and marine insurance. Within IAF funding is a loan fund of EC $50,000. An additional EC $100,000 in two installments-six months and twelve months after November 1984--will be added to the loan fund. This money is used for the hucksters to pay the farmers for produce.

A typical set of transactions involve the huckster buying produce (grapefruits, dasheen, etc.) from small farmers with funds from the loan from the Association. The huckster then takes an inter-island boat to Guadeloupe and sells the produce. The proceeds are used to buy clothing, household items, French wine, onions, potatoes, garlic, peas, etc. Upon return to Dominica they sell these items at their own shops or to larger retail establishments, or on the streets. The income from these sales resumes the cycle.

Excluding the banana trade via the British buying organization, the hucksters are the major agricultural exporters in Dominica. They sell a thousand more tons of grapefruit overseas than does the Citrus Growers Association. In order of the volume of trade in decending order is with Guadeloupe, Antigua, St. Martin, Barbados, and the U.S. Virgin Islands. Essentially, there is minimum trade with Miami.

To expand trade, the association would like to increase the loan fund to EC $500,000, raise the level per loan to EC $5,000, buy cartons in bulk and a machine to fasten the cartons for resale to members. Other plans call for business training and the eventual purchase of a vessel or two. (They rely on boats from Antigua for transport).

I. Name of Institution: National Development Foundation of Dominica Limited (NDFD)

Address: 28 Kennedy Avenue, Roseau, Dominica

Telephone: (809) 445-3240

Contact Person: Anita Bully - Executive Director

II. Type of Institution:

A. Local
B. Non-profit development organization which promotes and develops small business enterprises by making credit available to them and by providing them with technical assistance and training.

III. Mandate and Objectives: [See IIB]

Technical assistance and training to clients includes general management, record keeping, marketing, production, costing and personnel management.

IV. Programmatic Activities in the Field of Small Business Development:

A. NDFD promotes and develops small business enterprises relating to forestry products, agro-processing and other productive manufacturing and industrial projects. Small tradesmen and craftmen in fields like plumbing, welding, auto mechanics and woodwork are also supported as well as commercial ventures such as rural shops and huckstering.

Beneficiaries of the program include entrepreneurs who:

- cannot obtain commercial credit
- lack business management and administrative skills and know-how
- generally do not maintain business and financial accounts and records
- have serious cash flow problems
- must support an average of 5 dependents from whatever earnings they realise from their enterprise
- often face the reality that their self-employed status may not be sufficient to maintain even a minimum standard of living

- do not have a clear concept of costing, setting realistic prices and whether or not they are realising a profit

- have limited understanding of marketing and or alternative means of purchasing necessary inputs, raw materials and equipment

For these entrepreneurs NDFD provides, in essence, the missing link in the chain of financial institutions serving the economy by making loans available to industrious entrepreneurs whose principal identifiable constraint is the lack of capital or collateral. The provision of credit and its proper utilization are reinforced by the technical assistance and training and follow-up which form an integral part of the assistance package provided to its clients.

To become eligible as participating clients, entrepreneurs who can offer evidence of inability to secure loans from a bank or credit union must:

- satisfy the NDFD that they will personally manage and operate the business for which they are seeking credit

- be prepared, if required, to accept technical assistance from NDFD staff

- disclose all information on existing loans and obligations which affect the decision to grant a loan.

B. NDFD promotes its programs on the local radio and television stations. Meetings are also set up with the various village councils all over the island to explain to them what NDFD is all about and how it can assist enterprising young persons in the community. Application forms are left at the village councils together with information about NDFD programs. As a result of these meetings with the village councils, 125 out of the 293 loans disbursed to date are to persons in the rural areas. (See attached map).

Contribution from the local community

The NDFD was able to bring together representative members of the private sector who become committed to the NDF idea. Eight of these members now comprise the Board of Trustees and give their experience and time on a voluntary basis.

The private sector also serves as a source of funds for the Foundation programmes. During the first full year of operations (1982), EC $87,750 was raised locally. However, due to the nature of the private sector and the economic difficulties it is experiencing, it is difficult to maintain this type of financial support. The private sector's cooperation in other

areas, however, is outstanding. Several local businesses provide expertise in the following areas for NDFD clients.

- supplying raw materials on a 60 day credit basis;
- supplying packaging at cost;
- acting as distributors for clients' products;
- promoting local products;
- marketing products for clients for nominal fees;
- providing expertise in packaging and production;
- assisting with machinery maintenance and repair;
- supplying contracts to NDFD clients, especially in garment manufacturing
- assisting clients with cash flow problems by paying cash on delivery for products

NDFD has enlisted the cooperation of the local commercial banking sector in its loan processing activity and works closely with them, the Industrial Development Corporation, the Small Projects Assistance Team, the Local Government Department, the Dominica Hucksters Association and other private and public agencies with concomitant long term objectives, policies and programs. This collaboration helps eradicate duplication of efforts and allows for more effective use of manpower and financial resources. The Government of Dominica does not only endorse the NDFD Program but offers tangible support in important areas.

- tax allowances are given on funds contributed to NDFD:
- duty free concessions are given on equipment and supplies purchased by NDFD;
- the Prime Minister demonstrated her personal support by making a private contribution of EC $10,000 to the initital fund;
- NDFD was loaned a vehicle by Government pending receipt of its own vehicle.

There are, however, serious constraints to the growth and development of the small and micro business sector which are basically exogenous to the sector. As indicated earlier, most of these enterprises are either outside of or only marginally involved in the Social Security System. This affects not only them but any persons who may be in their employ.

The unwillingness of the commercial banking sector to extend credit to these enterprises has already been noted.

Economic fluctuation in the larger private sector has a severe impact on most of these enterprises, particularly those which cater to consumer demand.

It is the ultimate goal of NDFD to move as many of these entrepreneurs as is feasible into a position of greater involvement and viability within the formal economic systems. Thus far, four NDFD clients have "graduated".

They are:-

Candle Making Industries - Canefield Industrial Site. They employ 16 persons, and supply all Dominica with candles and are now beginning to export to the Caricom Region.

Paul Joseph & Co. - Fond Cole, Noodle Manufacturere. It presently employs six persons, and can supply Dominica with all the noodles required. It is now seeking Government protection and export markets.

Moreau Garment Factory - Canefield Industrial Site, Garment Manufacturers. They employ fourteen persons; produce competitively priced jeans, men's pants and shirts, and get subcontracts from local firms to produce the above items.

Merril Wallace - Portsmouth, Laundry Service; client now employs two persons and has recently opened another laundromat in Roseau.

C. Other accomplishment to date:

Number of loans and extensions granted	293
Value of loans EC$	884,737
Average loan EC$	3,020
Number of jobs affected	654
Average number of jobs per loan	2.2

Number of loans and extensions to:

Women	110
Men	152
Married Couples	7
Groups	5
Cooperatives	3
Partnerships	6
	293

Number of loans and extensions to:

Urban areas	125
Rural areas	168
	293

Plans for the Future

1. Improve technical assistance to clients
2. Involvement of the larger private sector
3. Staff development
4. Increasing loans portfolio to EC $1,000,000 by December 1988

5. Identification and implementation of import substitution projects
6. To move as many enterprises as is feasible into a position of greater involvement and viability within the formal economic and legislative systems.

VI. Sources and amounts of funding

1. Grants

	1982	1983	1984	1985
USAID	$ 67,205	450,945	254,655	487,102
IAF	134,410	134,411	-	80,646
Partnership for Productivity	42,379	-	-	-
Canadian High Commission	-	-	-	60,600
Pan American Development Foundation	2,688	-	-	-
Local Contribution	87,750	1,518	2,151	6,000

2. Loans

Pan American Development Foundation	26,982
Barclays Bank Development Fund	150,000

3. Charges for services rendered to beneficiaries

1982	1983	1985	1986
-	-	$3,600	$6,000

4. Total expense budget projected for 1985 is $300,297 of which $154,308 is budgeted for technical assistance and training. Other expenses are projected to be $145,989.

5. NDFD hopes to generate an income of $100,900 in 1985 to cover other expenses which implies it will need to raise grant funds of $45,089 to assist with these other administrative expenses. It is hoped that by 1988 its income generated will come close to meeting its "other" administrative cost that is the total expense budget minus the technical assistance and training.

VII. WHAT MEANS DO THEY HAVE TO PROVIDE SERVICES? HOW EFFECTIVE ARE THESE SERVICES?

1. Methodology for Cost Effectiveness - Planning Rural Training workshops as one-to-one. T.A. is proving very costly.

2. Skilled Personnel - Most Field Officers have to be trained. Now have 2 Peace Corps Volunteers with experience in cost accounting, production, management, personnel management and marketing.

3. Financial Resources

4. a) Total Budget per Year of Program for Small Business Development - 1985 Budget $300,297
   b) Administrative Cost - 1985 Budget $145,989
   c) ADMIN. COST = 48% projected for 1985
   TOTAL COST

5. Number of Employees Delivering Services - 6

6. Number of Beneficiaries receiving Services - 300
   a) Cost per Beneficiary $1001
   b) The Perceived Benefits of the Program are:
      - Jobs Created
      - Increasing the Level of Income

7. Are there other institutions working in this same area? Yes. Do you have a cooperative relationship with them? Yes, but it is important that we meet regularly to exchange information on the policies of each organization so that we can prevent duplication of resources and efforts.

VII. PROBLEMS AND CONSTRAINTS

1. Lack of Credit Funds for Sub-Loans
   a) Value of Current Loan Disbursed $884,737
   b) Total loan commitments $994,917
   c) What portfolio could you handle - Increase to $1,000,000 by 1988

2. Problems of Loan Collection - Client not used to handling credit. They do not understand the importance of meeting repayments on time.

3. Lack of T.A. Expertise

4. Special Problems in Agribusiness - Products seasonal; need multi-purpose plants to be economical; capital cost high; turn-over slow.

IX.

1. Do you belong to any regional or international organization in the field of small business development? Yes.

2. Do you have enough specialized information, advice, or management ability, for your institutions? We are constantly tapping organizatiuons and resource persons who can assist us.

INSTITUTIONAL RESOURCES AVAILABLE TO SBE's

Institutional Survey Questionnaire

I. Name of Institution: Management Consultants Limited
Address: P.O. Box 246
Corner Queen Mary/Great Marborough Streets
Roseau Commonwealth of Dominica
Telephone: (809) 445-3008/9
Telex: Telegy Dom 8625
Contact Person: Clementina Munro (Operations Manager)

II. Type of Institution:
A.3 Local
B.4. Private Sector Organization or Firm Involved in T.A.

III. 2. Skill Improvement
3. T.A. a) technology
b) management

IV. MCL is a private consulting firm ten years old which has developed a wealth of experience and knowledge of the small business sector in Dominica and throughout the region. An appreciation of the scope and importance of small businesses in transforming the nature of the local economy contributing to an alleviation of the endemic problem of unemployment, has resulted in the firm's utilising its manpower and expertise in the specific area of small business development in Dominica.

The firm has been supplying, under its Small Business Development Programme, technical assistance to low-income Dominicans seeking to establish small businesses and requiring training in management skills, financing and project preparation. MCL has also undertaken preliminary analysis of business opportunities with a potential for job creation. MCL has

- o provided training for over 300 Dominican men and women in the various aspects of starting and operating businesses as well as to public sector individuals under agency sponsorship
- o provided small business counseling on an on-going basis to individuals abd groups numbering about 150
- o assisted small businesses in securing finance, equipment and other requisites
- o documented numerous small business ideas and proposals which are being actively pursued or which have a potential for implementation in the future
- o opened new areas of thought and discussion among small entrepreneurs, Governement, agencies, on the prospects and problems of business development in a micro-economy.

V. MCL has operated its Small Business Development Programe through the facility of grant funds (77% of total programe cost) made available by the Inter-American Foundation. The services over the past years have been provided by the MCL at no cost to

the client. This type of programe, normally a purview of public development institution, implies an on-going subsidy and does not generate 'surpluses' which can be applied to subsequent periods for on-going provision of the services. MCL has considered the introduction of a fee structure which will require enterprises which have been assisted to meet some part of the cost after implementation of the proposal. The firm has also considered charging a nominal fee from businesses which are already in operation and which use the SBDP. MCL conducts contract services as well as providing other management and accounting services to decrease its reliance on external grant support.

CO-OP TRAINING UNIT
Department of Agriculture
33 Great Marlborough Street
Roseau, Dominica

Telephone: 1-809-445-2908

The Co-op Training Unit is headed by Cuthbert George, Sr., Training Officer and has Bob Frederick, Peace Corps Volunteer assisting the program. Their mandate is to provide training programs in agrobusiness and fisheries to the 62 registered co-ops in Dominica. The unit also teaches how to organize co-ops and run them as a business. They estimate that a co-op averages 15 members making a total of 930 beneficiaries of the program. However, only 400 per year participate in their training programs.

As there are only two people and one vehicle available from the Government, this unit cannot be seen as an implementing agency for the programs it would like to provide services. The Peace Corps Volunteer is preparing proposals to Peace Corps for funds to purchase 12 freezers for the fishing co-ops and has requested fishing boats through PfP's materials donation program via NDFD's Carinet Account.

The unit would like technical assistance to move the sulphur tile product into the production of interlocking sulphur blocks for construction to replace the more costly cement blocks.

They have not worked closely with other organizations to assist small business but are willing to begin to do so.

GIRAUDEL FARMING SCHOOL
Giraudel, Dominica

Telephone: 1-809-445-3102

The Giraudel Farming School is headed by Andrew Royer. It is a local organization that has regional outreach by attracting students from other Eastern Caribbean countries and the director has held training programs for small farmers in other islands and Haiti. This private sector small farmer school was started with a small loan from PfP to teach all phases of farm practice from land preparation through marketing and records. The director has an extensive schedule of lecturing to schools, social groups, prison inmates, farmer groups, and international institutions, as well as providing technical assistance on small farm production to these groups.

The first two years (1981-82) of operation was primarily devoted to training small farmers at the Giraudel location for a one-month duration. Graduated farmer/students received visits for continuing technical assistance. There has been an increasing demand for the director to give lectures and a decreasing number of students attending the center. Currently it serves as a public education force for small farmer agricultural diversification, improved farming practices, and to improve the image of the small farmer within the Dominican culture.

The director of the program estimates that 50 percent of the small farmers or 5,000 people have made some change, however slight, in their farming practice as a result of this program. The school also serves as an official lobby with government on behalf of small farmers.

Andrew Royer gets more mail than he is able to adequately respond to, and administrative tasks are not well attended to. The school could use an administrator, as currently it is a one-man operation. He would like the school to grow as a community resource, teaching typing, sewing, flower arrangement, etc.

Over the four years of operation, IAF has given U.S. $55,000, Robobank Foundation U.S. $11,000, Barclays Bank Development Fund U.S. $11,000 and loans from Partnership for Productivity and Barclays Bank have been repaid. The annual budget per year is approximately EC $10,000 leaving the program with sufficient funds to carry on for several years. Within the grant money, funds are available for small farmers, but this has not been utilized. The school is a good resource, but like other Dominican enterprises, the school needs more constant management assistance to realize the potential of the operation. As Royer is the most successful one-acre farmer, he has much to contribute to small farmers in Dominca.

The primary constraint of this program along with the lack of an administrative assistant/manager is the general attitude against farming as an occupation.

The Giraudel Farming School is a member of the Councarid chapter in Dominica.

WOMEN'S BUREAU
Government of Dominica
Roseau, Dominica

Telephone: 1-809-445-2401

The Women's Bureau is directed by Ms. Hyacinth Elwin who was previously the Chief of the Youth Division. In addition to the director, the bureau has one field officer and one secretary. Hence, it is not in a position to implement programs but serves more to design projects, assist in community organization of women's groups, and act as an information clearing house and as a force for economic participation of women in the country.

It carries out its skills training programs in collaboration with the Youth Division, Planned Parenthood Association, The Community Development Division, and the public school system. Its training programs have been in sewing, woodworking, and production of sorrel, vinegar and wine.

There is a U.S. $1,500 loan fund, but the bulk of the loans have not been repaid. This is attributed to the lack of staff and a lack of business orientation.

The bureau sees itself helping women become organized into small - scale economic activities who would then get further assistance from other organizations. Currently they are trying to develop an employment agency for short-term work in baby sitting, washing, house cleaning, food catering, mending clothing, etc. Other examples are hard candy and wine. They are in constant need of specialized information on production training, marketing, and supplies of raw materials.

DOMINICA HOTEL ASSOCIATION
P.O. Box 384
Roseau, Dominica

Telephone: 1-809-445-3300

President: Anne Jo-Baptiste

The Dominica Hotel Association is a local private sector organization. DHA's mandate is to improve the tourist product. DHA is a member of the Caribbean Hotel Association. There are 25 members of which five are operating hotels. Ten are incipient lodges, and the rest are associate members like restaurants and travel agencies. The purpose of DHA is to improve hotel services and the general tourist attractions and services by: (1) conducting tourism training programs; (2) defining a coherent tourism program; and (3) hotel and restaurant management.

These services to members are delivered by voluntary officers, executive committee members, and volunteers within the country. Basic kitchen techniques are taught by the members to the members. Ten members have benefited from this internal training. Twelve members have gone to Dutchess County, N.Y. as part of the Partners of the Americas program to learn basic kitchen techniques and food services. The president was partially sponsored by DHA to attend a marketing trade show in Miami. The executive committe has developed the foundation for a coherent policy for their industry. Members attend regional conferences. Currently DHA is holding 18 workshops on Communication, Tourism Awareness, and Public Relations.

ECONOMIC DEVELOPMENT SUB-COMMITTEE OF THE DOMINICA/DUTCHESS COUNTY PARTNERSHIP OF THE PARTNERS OF THE AMERICAS
c/o Industrial Development Corporation
P.O. Box 293
Roseau, Dominica

Telephone: 1-809-445-2045

Coordinator: McCarthy Marie

The Partners program is a Private Voluntary Organization funded by USAID (U.S. $37.293 for administration and travel) to promote economic activity between Dutchess County, New York, and Dominica.

The program includes: (1) Dominican product identification and U.S. market assessment; (2) advice on quality, safety standards, labeling and printing for the U.S. and other markets; (3) individualized, observational, and experimental training for Dominican business managers or their employees given in the U.S. or the Caribbean; and (4) special tours and trade fairs. Members of the Partners program serve voluntarily in both Dominica and in Dutchess County.

Technical assistance was given to a battery assembly operation and nine restaranteurs were trained at the Culinary Institute of America. The Partners would like to offer improved marketing of cultural industries to the region and U.S. As there is only one full time paid staff member, the Partners cannot be seen as an implementing agency but can assist in coordination of efforts leading to income and employment. Low cost international communication between Dutchess County and Dominica would speed up this process.

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK (AID BANK)
Roseau, Dominica

Telephone: 1-809-445-2853

Vans T. LeBlanc - Director/Manager
Alick Charles - Senior Industry Officer
Elfreda Abraham - Junior Industry Officer

The AID Bank is a parastatel and Dominica arm of the Caribbean Development Bank. It has had a positive cash position since 1982. In fiscal year 1984, its revenue was EC $1,257,260, expenditures EC $1,163,002, and earnings of EC $94,258. Its primary mandate is the analysis and financing of agricultural and industrial projects. There are two staff members dealing with all levels of industrial projects and four responsible for agricultural projects.

Small business development represents EC $169,459 of the EC $3,678,696 loans approved from June 1983 to June 1984. Twelve loans at 10.5 percent and fees of 2.75 percent were for machinery and equipment averaging $7,128. Two loans were for tourism averaging $12,500, and ten loans were for working capital averaging $5,792. There were 374 agricultural loans approved during this same time period averaging $4,189. Of these, only 13 were for agro-processing and averaged $4,602 per loan. This is under 4 percent of the Agricultural program. Security requirements precludes many small businesses from work with this bank. They then turn to the NDFD, the Community Development Division, Youth Division, or Credit Unions.

Appropriate Technology International (AIT) initiated the small industries revolving loan fund with EC $220,000 in 1980. The bank does not have a small business advisor as such. Total allocations for the AID Bank for 1985 are estimated at EC $2,770,000 from CDB, $500,000 from IFAD, and $750,000 from OPEC.

The AID Bank can play the important role of assisting small businesses that can make the transition to larger businesses and of providing factory space for such growth. The bank had constructed and OPEC funding. These spaces are rented from the bank and currently used for the manufacture of garments, candies, wood products and gloves. The bank has applied for an additional EC $4,000,000 from the Caribbean Development Bank for a further round of industrial estate construction.

The AID Bank understands that greater technical assistance and constant management attention is needed for a more productive small business sector, but is not in a position at this time to offer it. The CDB will make this available but the total cost must be paid by the entrepreneur making it beyond the reach of the smaller businessperson.

DOMINICA ASSOCIATION OF INDUSTRY AND COMMERCE

Cork Street
Roseau, Dominica

Telephone: 1-809-445-2874

President: Patricia Inglis
Executive Secretary: Cheryl Rolle

The DAIC is the largest private sector organization in Dominica with 95 members. It is the primary voice for private sector relations with the government. It is the Dominican member of the CAIC and participates in U.S. Chamber of Commerce activities. Its primary mandate is to promote trade, commerce and industry while protecting these interests against government policy that could hinder economic development in the private sector. It also holds seminars and training programs to upgrade business practice and the improved function of chamber services. Secretarial services and advice are offered to members from officers on a voluntary basis.

Although the chamber is open to anyone from the private sector, it has not attracted small business participation. The dues are beyond the reach of this group. However, the president has expressed an interest in offering group membership to the Small Business Association, the Hucksters Association, the Leathercraft Association, the Handicraft Association, and the Hotel Association. This reflects a new spirit of cooperation, the potential to unify around common themes, and to make team efforts to find solutions.

Although there are only two paid staff, participation of the members on a voluntary basis has been noticeably growing over the past five years. It would like to increase its public awareness program with films and slides from CAIC and the U.S. Chamber of Commerce to acquaint the local business community about how a chamber can function and grow more effective.

Its primary source of funding is membership dues. 1984's income from this source was EC $72,000. 1985 is expected to be EC $80,000 and EC $90,000 in 1986. DAIC plans to encourage more in-plant training conducted by its members and other development institutions. It plans to focus on financial management, costing trade, and manufacturing opportunities.

SMALL BUSINESS ASSISTANCE TEAM LIMITED
6 Fort Lane
Roseau, Dominica

Telephone: 1-809-445-4377

Coordinators: Joseph Peltier
Ronald Green

Since the leader of SPAT was not on the island during the time of this study, the following is quoted from a previous study by Michael White under contract to IAF.

The Small Projects Assistance Team (SPAT) was established in 1981 for the main objective of providing assistance to groups involved in small economic projects. The team concentrates on groups with between 4 and 20 members, taking into account the official minimum of 10 members required for a registered co-operative. SPAT provides training in management, project implementation, etc., contact with funding agencies for financial assistance to small business and seeking opportunities for skills development locally or overseas.

SPAT operates a micro projects loan fund providing seed capital to enable groups to get off the ground. Loans are given to a maximum of $2,000 (EC) and are interest-free. Assistance may also be given in the form of a grant or a combination of loan and grant.

SPAT attempts to meet the whole group, visiting them on the project location and ensuring that their marketing arrangements, organizational structure, accountability, etc. are in order before loans are disbursed. Loan applications take from three weeks to two months for approval and clients must agree to some post-disbursement monitoring to ensure that the project is in keeping with the proposals. Despite this, there is a high percentage of defaulters. According to SPAT officials, for the very small projects it is not always practical to make complete evaluations but it is easy to assess from experience where the projects are going wrong. The main problems facing these micro projects in their assessment is weak organization and management. To reduce the risks of default SPAT avoids disbursement of ther full loan at one time to the larger projects. When the application is approved a three-month work plan is prepared with the clients, and disbursements made in accordance with the plan. After the first disbursement is utilised therre is an evaluation of progress before the next disbursment is made. The intention is to introduce the checks and balances necessary for guiding the project in the right direction. The number of projects supported by SPAT are

1981 - 4
1982 - 30
1983 - 15

A SPAT official explained that the organization is part of a network of similar agencies which have developed in the Caribbean in recent years. There is an "organic relationship" between these agencies which operate also in St. Lucia, St. Vincent, Grenada and Jamaica.

DOMINICA INDUSTRIAL DEVELOPMENT CORPORATION
Corner of Kennedy Avenue and Old Street
Roseau, Dominica

Telephone: 1-808-445-2045

Director: Kenneth Alleyne

The IDC is the primary government liaison to the private sector. It is a parastatal that approves governmental fiscal incentives such as tax holidays and duty free status. Six of the 49 businesses approved by the IDC from1981 - 83 employed between 3 to 6 people, three had capital investments under EC $30,000, sixteen were newly formed local manufacturing, and three had begun with NDFD assistance.

Although it has worked with three relatively smaller businesses, its primary mandate today is to attract foreign investment capital for agrobusiness and manufacturing. It maintains an office in New York City for that purpose.

Currently the IDC is preparing to attract larger more efficient expatriate manufacturing, which woudl later involve local joint ventures. The IDC feels that the expatriates will have to demonstrate the success of larger scale manufacturing before Dominicans will invest. Efforts are currently underway to export limes to Shweps, essential oils to New York, the Northeastern Timber Co-op, twin plant semi-processed fruit, and mineral resources such as pumice, clay limestone, woods, and geo-thermal energy.

Another future direction is to open the Trinidad and Tobago market with the help of CARICOM. There is a problem of exchange control. An importer in T & T has to get exchange control authorization to pay Dominican suppliers in EC. This, the IDC reports is nearly impossible although Dominica Coconut Products, a large Dominican manufacturer of soap has been successful. But soap was originally designated by CARICOM as a Dominican preferred product.

COMMUNITY DEVELOPMENT DIVISION, SMALL BUSINESS SECTION

Government of Dominica
Roseau, Dominica

Telephone: 1-809-445-2401

Contact Person: Ezra Dalrymple

The Small Business section is a government agency that has one full time staff member to provide business training, technical assistance, and manage a revolving loan fund (loan decisions are made by higher officials who are able to feed projects to their section and assist in following-up on the projects.

As it is a government program located in Community Development Division, the section selects projects for their community value and sees itself as nurturing small projects that could eventually graduate to the NDFD or commercial banks. It charges 6% interest and has difficulty collecting loan repayments.

The section relies on government for its future plans, but would like to stress business using appropriate technology in food processing and preserves. It would like to offer more intensive training and business consultancy as well as submit proprosals on behalf of clients to funding agencies.

It is interesting that low interest rates are seen as a problem for this section. Clients do not feel they have to pay-back, since the interest rate is concessionary. Raising the interest rate would not only increase the loan fund, but would make the point that the loan in a business-like proposition. A second problem is that there is not fool proof legal mechanisms in place for the collection of security on defaulted loans.

Currently, the section has thirty-six loans for a total of EC $80,000 for an average of EC $2,222 per loan. The Small Business officer of this section estimates that it could utilize an additional EC $50,000 and expand to 48 or 50 loans.

YOUTH DEVELOPMENT DIVISION
Ministry of Education
Government Headquarters
Roseau, Dominica

Telephone: 1-809-445-2401, ext. 346, 349

Chief of Division: Elizabeth Alfred

The youth division is a government division for the social and economic development of youth. It is a very active agency for small business development with an extensive training program and a limited revolving loan program (maximum loan of EC $500). With OAS and USAID funding they have carried out various skills training programs.

DOMINICA COOPERATIVE CREDIT UNION LEAGUE, LTD.

4 Field's and Cross Lane
Roseau, Dominica

Telephone: 1-809-445-4051/4416

Contacts: Mr. Everton Charles
Mr. Clement Carty
Mr. Thomas Irish

The Credit Union League was founded in August 1958 and is registered as a cooperative body. It is an umbrella organization for 22 Credit Unions. It is affiliated with the Caribbean Confederation of Credit Unions (CCCU), based in Barbados, and the World Council of Credit Unions (WOCCU).

Their objectives include:

- To promote human and economic development of affiliates and their members through education and advisory work and by providing all member credit unions and other registered cooperatives with a full range of deposit, investment, and borrowing options at rates that are competitive within the financial system.

- To contribute to the development of higher standards of credit union management, operation, and supervision.

The League is assisted by the CCCU in the design of development programs, including internal planning and control systems, management information feedback systems, and standardized operating manuals.

CCCU identifies and coordinates external and internal resource personnel to train affiliate personnel by means of regional seminars, in-country courses, and on-the-job technical training. The goal is to produce personnel capable of managing and improving credit union services.

The estimated annual budget was EC $181,047 for 1983. Sources of income include membership fees (EC $51,527) and investment returns (EC $59,159). Between 1979-83 the League received a grant of US $214,373 from USAID/RDO/C. This grant was drawn from a 5-year Regional Union Development Program. Funds have also come from the German organization MISEROR (EC $20,405) and the Credit Union National Association (CUNA) (EC $9,900). There are 5 paid officers and 500 volunteers who manage the Credit Unions.

Technical Assistance Organizations

1. DAIC/CAIC
2. Dominican Christian Council
3. Dominica Social Center
4. Heifer Project International
5. NDFD
6. Pan American Development Foundation
7. Partners of the Americas
8. Partnership for Productivity International
9. IDC
10. Youth Development Division
11. Community Development Association
12. Leathercraft Association
13. Small Business Association
14. Agricultural Industrial and Development Bank
15. Coopers & Lybrand (PDAP)
16. Small Projects Assistance Team
17. Management Consultants, Ltd.
18. Organization of American States

By Type of Resources

Training

1. DAIC/CAIC
2. Dominican Save the Children Fund
3. Dominica Social Center
4. Jaycees of the Commonwealth of Dominica
5. NDFD
6. Operation Youth Quake
7. Pan American Development Foundation
8. Partners of the Americas
9. Partnership for Productivity International
10. Youth Development Division
11. Womens Bureau
12. Co-op Training Unit
13. Dominica Hotel Association
14. Dominica Hucksters Association
15. Leathercraft Association
16. Management Consultants, Ltd.

Credit

1. National Development Foundation
2. Agricultural Industrial and Development Bank
3. Community Development Division
4. Dominican Cooperative Credit Union League
5. Youth Development Division
6. Small Projects Assistance Team
7. Women's Bureau
8. Hucksters Association
9. Giraudel Farming School
10. Barclays (NDF participation)
11. Royal Bank (NDF participation)
12. Banque Antilles (NDF participation)

III.

C. Management Consultants Limited is the most professional small business consulting firm with the largest corporate memory of this sector's development in Dominica. It is not able to sustain its operations from fees to such clients and relies on funds over the years from the Rockefeller Brothers Fund and the Inter-American Foundation. MCL has played the coordinator's role of small business development until the National Development Foundation of Dominica was created. The NDFD was organized by MCL, PfP, and PADF. It is typical to trace the history of more productive small businesses to MCL involvement. MCL has the largest library of small business related materials in Dominica. As a result, it should play a key role in any coherent small business program and budget design for Dominica.

The National Development Foundation of Dominica (NDFD) was organized to give similar consultancy as MCL, but with the addition of providing guaranteed funds for local bank loans for small businesses without conventionally recognized security. The original Field Officer was PfP trained but has since gone into his own business. The three new Field Officers have not yet had the same indepth training, education and experience to match the MCL consultants. Nevertheless, the work of the NDFD with additional assistance of two dedicated Peace Corps Volunteers are filling many of the needs for preliminary consulting and credit of small business.

Government organizations such as the Youth Division Community Division, and the Women's Bureau provide a preliminary feeder role to help organize potential businesses and provide basic skills training. But these organizations do not have a private sector orientation that is sufficiently business-oriented to get their clients to the position of independence, and they need not play that role. That is more the job of the NDFD and MCL. As these businesses mature beyond the latter's capabilities, the DAIC and IDC can be their primary support group.

Smaller private sector groups such as the Youth Division, Community Development Division, and the Women's Bureau provide a preliminary feeder role to help organize potential businesses and provide basic skills training. But these organizations do not have a private sector orientation that is sufficiently business-oriented to get their clients to the position of independence, and they need not play that role. That is more the job of NDFD and MCL. As these businesses mature beyond the latter's capabilities, the DAIC and IDC can be their primary support group.

Smaller private sector groups such as the Hucksters Association, Small Business Association, Leathercraft Association, Handicraft Association, the Hotel Association have expressed interest in group membership in the DAIC. During one of the institutional group meetings of this study, the president

of the DAIC indicated that she was most interested in creating such a group membership to extend the DAIC to the small business sector. This would be a historic step for the private sector.

D. The primary untapped resource is the potential for systematic coordination and planning among these institutions. All are quite busy. None are underutilized per se, but there is a very high degree of duplication that makes their collective effect fairly insignificant.

IV. SMALL BUSINESS DEVELOPMENT

A. New opportunities for small business were identified as part of two questionnaires. One questionnaire for the small business asked if the enterprise could produce something that was imported and what their hopes were for the business. A second questionnaire for institutions asked specifically about new business opportunities and were selectively given to private sector and government officials who are trying to create new economic activities. The following is a list generated from these sources followed by some description of selected opportunities:

- Semi-processed twin plant production of passion fruit, tomato paste and sauce, ornamental plants and cut flowers, wooden toys, dasheen bean (Local) banana vinegar ($50,000 EC imported), garments (Indian Cloth Style), Nails (EC $133,000 imported), soya products, processed sour sop, peanut butter (EC $167,000 (imported) - guava papaya.

- Decorative and Construction Sulphur Tiles
- Freezing local fish
- Light manufacturing of corn cob pipes, buttons, handicrafts
- Clocks, etc.
- Paper mill (Beginning with recycling process)
- Coconut cheese balls, hard candy
- Mountain chicken, fresh water shrimp
- Regional tourist packages "Treasures of the Caribbean"

Twin Plant Operations have proved successful in Trinidad and Haiti. Dominica has an opportunity for a twin plant operation with Puerto Rico. Passion fruit yields three times the cash value per acre than banana which now generate less income as they are exported solely to the U.K., since the EC $. is tied to the U.S. $. The passion fruit market would be in US currency. Farmers would sell their Passion fruit locally where the skin and seeds are removed. The pulp would be shipped and processed in Puerto Rico. The managing director of the Agricultural Industrial and Development Bank identified this as the best agro-business potential in Dominica.

Decorative and Construction Sulphur Tiles. The O.A.S. with $60,000 EC introduced this technology to Dominica and tiles were produced and orders secured totaling $300,000 EC. Unfortunately

the 18 people trained including a foreman and assistant foreman have not yet qualified to register as a co-op. Until they have done so, they cannot receive a loan for the working capital to fill the above orders.

Current assets of this business is EC $47,000 and needs EC $30,000 in working capital to begin operation again. The cooperative training unit within the Ministry of Agriculture recommends that a short term (2 month) cement and construction engineer work with the project to insure quality control.

This business has been identified as a priority of the Prime Minister. All local ingredients (sulphur, sand and aggregate (stones) are easily available. Only a binding agent which also is a fire retardant (D.C.P.) is imported.

The price for decorative tile is EC $1.00 and the construction tile is EC $1.60. The foreman is paid $700 per month, assistant foreman $600 per month, while the other sixteen employees receive EC $2.00/hour.

Partnership for Productivity
International

GRENADA
SMALL BUSINESS
SURVEY

(January 16 - 24, 1985)

Rick Morren

February 1985

Miami, Florida

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GRENADA SMALL BUSINESS SURVEY

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GRENADA SMALL BUSINESS SURVEY

I. BACKGROUND AND SUMMARY

The immediate and positive results of the survey indicate that since the United States - Caribbean Rescue Mission, the business climate has greatly improved. The Survey showed a 41 PERCENT INCREASE OF NEW OR REACTIVATED SMALL BUSINESS.

It also showed a renewed confidence on the part of the business community in Grenada to actively explore new business ventures in tourism and related industries, agriculture, and services.

The survey indicated that U.S. aid programs are generally well received and highly visible. The 1985 Grenada Capital Program, from which loan agreements have been signed or are in an advanced stage of appraisal, amount to approximately EC$ 8 million. Many of these loans are provided by the United States Agency for International Development (USAID).

A. SURVEY METHODOLOGY

The survey field work, conducted by four interviewers from January 16 to January 24, involved a street by street canvassing of small businesses in several parishes of Grenada.

B. SURVEY RESULTS

The final survey includes profiles of 44 small businesses, 18 institutions, and 15 cooperatives. The small business profiles revealed 11 percent in agribusiness, 55 percent in light manufacturing, and 34 percent in the service industries.

Small businesses with assets less than EC$5,000 represented 36 percent of those surveyed; 32 percent had assets between EC$5,000 and EC$100,000; and 32 percent had assets in excess of EC$100,000.

The number of full-time employees in the businesses surveyed ranged from one to 24 persons while temporary personnel ranged from one to 21 persons.

Major problem areas included:

- Funding,
- Business information,
- Technical skills,
- Coordination of efforts between small business and existing institutions,
- Government incentives

In general, the survey demonstrated that the small businessperson is genuinely in pursuit of self-employment through the establishment of viable business enterprises.

The PfP survey team found that prior to the survey, there existed very little information on micro-enterprises (up to EC$5,000) in Grenada. The Grenadian Government does not differentiate between micro, small, medium, and large business as far as concessions go. Tax and import duty waivers are only granted on an individual basis. The business owner must go to the Government (cabinet level) to apply for any special concessions. Moreover, businesses involved in production or the hotel industry are more likely to receive them.

Another problem is the fact that many businesses are not officially registered and the income is taxed as personal income.

C. INSTITUTIONAL SUPPORT

There is limited support for small businesses from the existing institutions. Grenada does not have a Small Business Association although the Chamber of Commerce has made some effort to develop such an agency, which would focus on the training needs of the small business community.

The National Development Foundation, inaugurated recently, seems well disposed to provide assistance to small business in the form of:

- o Technical assistance and credit
- o Linkages among the different private sector levels

D. SMALL BUSINESS NEEDS

The survey also indicated that existing small and micro support institutions, which provide the major impetus to promoting and assisting small business in Grenada, need to be strengthened. As of this writing, several initiatives are underway through an active involvement of U.S. agencies, local organizations, and non-U.S. entities.

E. HISTORICAL SETTING

Discovered by Columbus in the late fifteenth century, Grenada is the most southerly of the Windward Islands of the Eastern Caribean.

The nation of Grenada also includes the nearby islands of Carriacou and Petit Martinique of the Grenadines, and has a total land area of 133 square miles (334 sq. kms.). Volcanic in origin, Grenada

combines sandy beaches and forested interior mountains (highest point is Mt. St. Catherine, 2,757 feet or 1,840 m). Its climate is marine tropical with a year round average daily temperature of about 80 degrees F. along the coast, but as much as 10 degrees cooler in the inland mountains. Annual rainfall averages about 40 inches (3,810 mm) in the central region. The wet season lasts from June to December.

The population of Grenada numbers about 100,000 (1980), and is increasing at a rate of approximately 0.9 percent per annum. The majority of Grenada's people are of African origin (95 percent), with the balance made up of persons of East Indian, Syrian, European, and North American descent. English is Grenada's official language. Adult literacy is high, presently estimated at about 85 percent. The official currency is the Eastern Caribbean dollar (EC$), pegged at a fixed rate of exchange with the United States dollar of EC$ 2.70 = US$ 1.00.

The first lasting settlement on Grenada was established by the French in 1650, and the island became a French colony in 1674. Later, under the Treaty of Versailles of 1783, Grenada was declared a British possession, and remained in British hands until 1967, when it attained Associated Statehood with Great Britian. Grenada achieved full independence in 1974. Its first independent government was overthrown in 1979 by the New Jewel Movement (NJM) led by Maurice Bishop. NJM held power in Grenada until October, 1983, when a brief period of civil unrest led to intervention by a joint United States-Caribbean peace keeping force.

An interim government under the leadership of Mr. Nicholas Brathwaite prepared Grenada for new elections, which were held in December of 1984, and brought to power the centrist New National Party, NNP - a coalition of three parties: DNM, GNP, and DNP under the leadership of Herbert A. Blaize.

F. SOCIO-CULTURAL CONTEXT

In surveying small business development within a country, it is essential to place this development within the overall socio-economic setting and political structure. What might seem to be general information is nevertheless important in judging the ability or inability of small business to grow and develop.

It is also helpful to note, in reviewing small business in Grenada, that the attitude of the population, as in most Caribbean nations, is not favorable towards business in general.

The reasons for this are based on a cultural and economic heritage which goes back to the colonial era when the work force was told what to do and how to do it, either by the plantation owner or by the large trading companies, with little or no personal rewards or motivation. The ruling class naturally was able to control, manipulate and exploit this situation.

Today in Grenada-- although much has changed for the better since the United States-Caribbean Rescue Mission and a very active and productive USAID program-- the power structure is still very much in the hands of a similar economic group. In this century it consists of such names as Hubbard; Huggins; Julien; Bryden and Minors; and Renwick and Thompson. Their income largely depends on the sale of imported consumer goods bought with scarce foreign currency reserves on which they attach an additional 20 to 50 percent profit margin.

The other large business power structures are the government-supported Nutmeg Association, the Grenada Cooperative Banana Society, and the Cocoa Association. These groups, which are of major importance to the economic well-being of the country are making a major effort to develop programs that focus on productivity, quality control and skills building for their members.

Nevertheless, the general perception of business, whether in public or private hands, continues to be that it is exploitative. This can result in excessive measures sometimes in favor of the laborer. For example, firing an employee for perfectly legitimate reasons in a Caribbean labor setting can result in retaliation that goes beyond the generally accepted norms of labor practice.

In proposing recommendations to stimulate business in the Caribbean, we need to work with the existing scenario to find solutions that include all the established power structures, and align them to programs which will increase their understanding of mutual needs and aspirations with lower level enterprises. It is also recommended that we develop public culture sensitizing techniques, which focus on business, not as an evil, but as a means to bring prosperity.

G. ECONOMY

The International Monetary Fund's Annual Report on Grenada dated October 25, 1984, projects a substantial recovery in output for 1985, mainly on the assumption of a strong expansion expected in some agricultural products, tourism, and export-oriented manufacturing.

According to the report, inflation continued to be moderate in 1984, and the rate of price increase was about five percent. It noted that information on wage trends was limited but stated that a sampling of negotiated settlements in the private sector suggested that wage increases decreased from 15 percent annual average in 1981-1982, to almost 10 percent in 1983, and 8 percent in 1984. Revenue weakened further in 1984, as the stamp duty on imports was reduced from 20 percent to 15 percent in an attempt to stimulate private sector activity.

The report pointed out that in the early part of 1984, the reduction in revenues was matched by a definate cutback in expenditure. However,a substantial increase in foreign grants in the latter part of 1984, permitted resumption of public investment projects,

particularly the international airport investment project and the repayment of overdue obligations.

Foreign indebtedness has risen rapidly in the past few years from the equivalent of 16.5 percent of GDP (gross domestic product) at the end of 1980, to almost 42 percent of GDP at the end of 1983.

On public finances, the report stated that external grants for current budgetary operations and reduction of indebtedness are expected to amount to 9.5 percent of GDP 1984, as compared with the figure of one percent in 1983.

The report further stated that to eliminate fiscal arrears carried over from 1983, as had been the intention of the authorities, would require an overall surplus of 3 percent GDP.

H. SECTORAL DEVELOPMENT

1. Agriculture

Grenada is the world's largest producer of nutmeg and mace after Indonesia. In addition, it produces a large amount of cocoa, bananas, and a variety of fruits and vegetables.

Agriculture contributes about 20 percent of GDP and employs about 30 percent of the work force. The majority of the farmers are above fifty years of age and practice mixed cropping. In recent years agriculture has experienced wide swings in output. Agriculture production declined by 5.5 percent in 1980, due to a hurricane, but recovered in 1981, mainly as a result of bumper crops of cocoa and nutmeg. Lower prices to farmers from 1982 to 1983 discouraged production of most crops except fresh fruits and vegetables, which increased considerably in volume because of demand from Trinidad and Tobago. This trade is sparsely documented because of hucksters, who do not keep records nor pay taxes, and are involved in contraband.

Agriculture presents challenging opportunities for the development of small processing plants to satisfy local and international demand for processed nutmeg and cocoa.

a) Bananas

Since the hurricane of 1980, banana output has declined every year, from 32 million tons in 1979, to 20 million tons in 1983. Increasing costs of production and low yields, coupled with declining prices to growers, have contributed to the decline of the industry. However, banana production continues to employ almost 1,500 farmers and accounted in 1983, for 17 percent of total exports. In an effort to revive banana production, the

Government intends to rehabilitate about 500 acres with foreign financial and technical assistance. Moreover, efforts to improve the quality and yields through field packing are being carried out. Only 28 percent of bananas are presently packed in the fields, compared with ratios of over 70 percent in neighbouring islands.

All banana exports are to the United Kingdom in conjunction with the Windward Islands Banana Growers Association (WINBAN), which handles all marketing, research and shipping of bananas for Grenada, St. Lucia, Dominica and St. Vincent. Grenada produces 10 percent of WINBAN's exports to the United Kingdom; WINBAN, in turn, accounts for 37 percent of all United Kingdom banana imports.

Investment opportunities exist for banana flour and banana extract processing plants.

b) Cocoa

Cocoa is produced by about 7,000 farmers. Production was also adversely affected by the 1980 hurricane, but recovered strongly in 1981. Output of cocoa declined in 1982 and during the first half of 1983, in response to falling prices; however, a recovery in international cocoa prices in late 1983 appears to have stimulated production. In the medium and longer term, cocoa production and yields will benefit from an on going rehabilitation program funded by the Canadian International Development Agency which aims at replanting 20,000 cocoa trees over an eight year period.

The Grenada Cocoa Association, which is a farmers' cooperative in charge of the distribution and marketing of cocoa, operates an internal price stablization program.

During the period 1978 to 1980, when the price of cocoa was high, the Association did not pass the full price increase on to the farmers, but instead built up over E.C.$9 million in reserves, of which two-thirds were used from 1981 to 1983, to cushion the subsequent price decline. The cocoa industry employs some 7,000 farmers.

c) Nutmeg

Since 1980, the nutmeg industry, which employs about 7,000 farmers, has been negatively affected by increased competition from Indonesia, which experienced bumper harvests from 1980 to 1982, and an overall reduction in world demand reflecting cutbacks by foreign meat producers, who are the major users of the spice.

From 1980 to 1981, production of nutmeg greatly exceeded

exports. This resulted in a large build-up in stocks from four million pounds in 1980, to 7.8 million pounds in mid-1982--equivalent to about one-and-a-half year's production. Because of the increase in stocks, the cash reserves of the Grenada Cooperative Nutmeg Association were depleted. This led the Association to slash grower's price by almost one-third in 1982. The low grower's price discouraged farmers from harvesting their crops, and production fell from a peak of 6.8 million pounds in 1981, to 5 million pounds in 1983. Following the events of October 1983, purchases by the Soviet Union were interrupted; but the Grenadian nutmeg is now being marketed in the United States. It is expected that in 1985, the marketing campaign of sales to the United States will intensify and could show a significant improvement.

d) Mace

Production of mace, which is a by-product of nutmeg, fell from 640 thousand pounds in 1979, to 250 thousand pounds in 1982, mainly reflecting the decline in nutmeg production. Mace has not faced the same marketing problems as nutmeg, however, and prices have held up well in recent years.

e) Fresh Produce

Production of other fruits and vegetables for export has risen dramatically in response to a brisk increase in demand from Trinidad and Tobago. The volume of these products rose from 1 million pounds in 1980 to 14 million pounds in 1983. Production of these crops for domestic consumption has also risen though at a slower pace.

2. Manufacturing

Manufacturing remains relatively small in Grenada, contributing only about four percent of the GDP and employing 5.5 percent of the labor force. In contrast to other Eastern Caribbean countries, Grenada has been unsuccessful in attracting foreign investment both from a lack of government-subsidized factories and inadequate transportation facilities. Thus, with the exception of a small garment industry, which exports to Trinidad and Tobago, manufacturing enterprises are mainly agro-based industries producing for local markets.

A Coopers and Lybrand survey of the manufacturing sectors, published in 1984, showed that the manufacturing sector in Grenada can be divided into six product categories:

CATEGORY	NO. OF COMPANIES	TOTAL EMPLOYMENT
FOOD PRODUCTS	10	146
BEVERAGES AND TOBACCO	6	246
APPAREL	7	252
WOOD PRODUCTS	5	109
BUILDING MATERIALS	2	44
MISC. MANUFACTURING	4	23
TOTAL	34	868

Grenadian manufacturing companies tend to be quite small, averaging approximately 25 employees per company. Coopers and Lybrand found that only four companies have more than 45 employees and 15 companies have fewer than 10 employees.

Foreign participation is limited and export is primarily to Trinidad. Most companies, however, produce for the local markets. There is a lack of adequate government protective measures for local producers, and consumers tend to favor imported goods over local products.

Domestic sources of raw materials are in short supply; consequently, most companies have to import a significant percentage of their raw materials from abroad. Opportunities for food and wood products resources exist, but have not been fully exploited.

3. Tourism

Tourism took a beating following the rescue mission in 1983. At present, the island has about 650 hotel rooms, with nearly 400 of them contained in different facilities rated first class. The largest of them is the Grenada Beach Hotel, now occupied entirely by United States personnel. The Rose Point Inn is serving as the American Embassy, and the bulk of the remaining first class rooms are housing various diplomatic and investment mission personnel flooding the island. The United States Army is expected to move out of the Grenada Beach Hotel later this year. The Holiday Inn has made plans to take over this facility.

A number of hotel construction projects have been approved, and new hotels should be completed in the near future. Hoteliers and other tourist officals feel that Grenada can and will become a successful Caribbean tourist destination. Their conviction stems from what they see as the current stability and security maintained by the United States and Caribbean forces stationed in Grenada, which provide the foundation for Grenada's economic development. Analysts say this development hinges in large part

on the success of the tourist trade. The backlash of Jamaica's recent disturbances could result in a boost for Grenada's tourist industry.

Andre Cherman, President of the Grenada Hotel Association (GHA), told a recent press group that he believes the island will attract 35,000 visitors in 1984-1985, surpassing its most successful tourist season of 1972-1973. That year, the Ministry of Tourism recorded a peak performance of 33,490 stay-over visitors. The lowest figure of 14,733 was recorded in 1974, a year marred by political violence. There was a gradual pick-up until 1978, when stay-over visitors totalled 32,336. A downward trend started in 1979, and continued until 1983, when the industry recorded 32,459 visitors compared to a low 23,270 in 1982. Tourist arrivals during the first eight months of 1984, were put at 25,513-- a decline of 3.8 percent over the comparative period in 1983.

Grenada's earnings from tourism in 1983-1984, according to figures available from the Barbados-based Caribbean Tourism Research and Development Centre (CTRC) was EC$35.4 million. Opportunities for growth depend largely on the availability of qualified staff and improvement of the infrastructure of island roads, communications, and transportation. Many of the infastructural improvements are presently being undertaken by USAID-supported programs. Most urgent of these activities is the road building program.

The tourist sector employs some six percent of the work force of 38,000 people.

4. Institutional Framework

a) The Banking System

The banking system in Grenada is composed of the regional Central Bank, two branches of foreign banks, two government banks acquired from foreign banks, and the Cooperative Bank. The financial system also includes the state-owned Grenada Development Bank, the Building and Loan Association, the credit unions, and a number of small insurance companies.

Grenada does not have a cooperative banking legislation to regulate the activities of the commercial banks.

b) Tax System

For those enterprises not granted a tax holiday, Grenada's normal company tax is 55 percent. However, rebates are provided to reduce tax rates for companies which expand operations (reduction to a 45 percent rate) or which engage in industry/manufacturing and hotel development (reduction to a 40

percent rate). There is no capital gains tax in Grenada. The same personal income tax schedule applies to both citizens and foreign nationals working in Grenada. A tax of 10 percent on all interest paid was removed by the Government as of January 1, 1984.

Possible reduction of personal tax schedule is as follows:

i. GRENADA'S PERSONAL INCOME TAX RATE STRUCTURE

INCOME INTERVAL ($US)			MARGINAL TAX RATE (%)
371	or	below	10
371	-	1,112	15
1,113	-	1,852	20
1,853	-	2,778	25
2,779	-	3,704	30
3,705	-	4,630	35
4,631	-	5,556	40
5,557	-	7,408	50
7,409	-	9,260	55
9,261	-	11,111	60
over 11,111			65

Where chargeable income exceeds US$2,717.

ii. Investment Incentives

Grenada welcomes foreign investment, particularly in industries which are export-oriented and/or take advantage of the nation's surplus labor supply. Both foreign investment in the form of 100 percent foreign ownership or in joint venture with local participants are given high priority in the process of employment generation in Grenada. All foreign individuals or firms proposing to invest in Grenada must receive prior permission from the Government's Investment Review Committee, a mechanism established to regularly examine such proposals. To encourage foreign investment, Grenada offers a range of incentives competitive with those provided elsewhere in the Eastern Caribbean.

iii. Fiscal Incentives

Current legislation establishes fiscal incentives for

investors featuring 100 percent exemption from company income tax for up to 15 years, depending upon the amount of local value-added produced by a given enterprise. The schedule is as follows:

ENTERPRISE	VALUE ADDED	MAXIMUM TAX HOLIDAY
Group I	50% or more	15 years
Group II	25-50%	12 years
Group III	10-25%	10 years
Enclave*	-	15 years

*An enclave enterprise produces exclusively for export outside the CARICOM region.

A further company tax concession may be available at the end of the initial period of tax holiday. This concession is in the form of an export credit, providing relief from company tax based on the proportion of a firm's profits attributable to export sales.

iv. Repatriation of Profits

Normally, remittances of income to foreign investors attract a withholding tax of 25 percent. However, remittances of income arising from investments in manufacturing, tourism, or any other area approved by the Ministry of Finance may be totally exempted from withholding tax liability. All purchases of foreign currency bear a foreign exchange tax of five percent, although a reduction of this levy is currently under review.

v. Import Duty Exemptions

Duty-free importation of plant machinery and equipment, spare parts, and raw materials is granted to approved enterprises. These exemptions apply to imports from non-CARICOM countries, when required items are unavailable at competitive price and quality within the CARICOM region.

5. General Infrastructure

a) Transportation

Grenada has 600 miles (960 kms.) of roads, almost all suitable for motor traffic, although in a deplorable condition.

The country's major sea port is located at St. George's, the capital, where a sheltered natural harbor features an 800 foot pier with berth space for 2 to 3 vessels at a minimum depth of 30 ft. The port has 20,000 square feet of transit shed space plus an additional 20,000 square feet of warehousing area. Container handling facilities and equipment are limited but are presently being improved as part of a general port development plan. Shipping lines serve Grenada regularly from the United States, Europe, and the Far East.

Grenada has two airports, Pearls with a 5,000 foot runway, and a new international airport at Point Salines, about five miles from St. George's. The latter has a 10,000 foot runway capable of handling the largest commercial wide-bodied aircraft. Grenada is now served by Leeward Islands Air Transport (LIAT), Tropic Air, Carib West, and British West Indies Airways (BWIA) on scheduled flights to other Caribbean islands and the United States.

b) Communications

The Grenada Telephone Company, Ltd. operates several automatic exchanges connected by trunk lines. Cable and Wireless, Ltd. (West Indies) provides international telephone, telex, and cable service. Direct international dialing into Grenada is available from major centers throughout the world. Electronic computer conferencing systems are not available but PFP's Carinet Communications System was used on a temporary basis during this survey. A great need remains for an improved communications system on the island.

c) Electricity

Power in Grenada is furnished by the Grenada Electricity Services from diesel units. The current is 220 volts, three phase 50 cycles. Grenada's present installed generating capacity of 7.5 megawatts will be increased to about 11 mega-watts by mid-1984 with the addition of two new generators. The electricity rate for industrial users is about US$0.16 per KWH, including a variable fuel surcharge. Rates for commercial and domestic users increase with consumption and range from about US$0.18 per KWH to US$0.21 per KWH.

d) Water

Grenada's water is supplied by the Center Water Commission from a series of rivers, catchment areas, and deep wells. Industrial and domestic customers who are metered pay a rate of about US$0.004 per gallon. All other consumers pay a tariff based on a percentage of annual imputed rental value of property.

6. Labor

Grenada's labor force numbers an estimated 38,000 persons (1984), including a large supply of unskilled and semi-skilled workers. The employment distribution (1984) features: service and public utilities, 34%; manufacturing and construction, 20%; commerce and transportation, 17%; and agriculture, forestry, and fisheries, 29%. A statutory minimum wage exists in Grenada only for agricultural workers.

I. PROPOSED PROJECTS AND IDEAS

In view of the expansion expected in tourism and opportunities provided by government to overseas investors, small business could expand in the following areas:

- Fish processing
- Seed cultivation
- Light manufacturing (sewing, production of unassembled components)
- air-conditioning, refrigeration repair
- touring agencies
- consulting services (small business, management)

J. IMPORTANCE, SIGNIFICANCE, AND EXTENT OF LOCAL AND COUNTRY SUPPORT TO SMALL BUSINESS

Grenada is bound to become more opposed to whatever foreign influence is exerted on its strategic planning, whether in business, political policy, or social design.

Grenada wants to design its own programs in consultation with foreign agencies. There is a noticeable resentment of current outside agency approaches to design programs with little or no prior consultation with local citizens. Officials will tell you in public they welcome all outside advice and counsel, but in private often strongly criticize the process.

USAID occupies a special position in Grenada, described by one official as the "benevolent partner." It has developed a close

relationship with most institutions and organizations on the island, including those who have active plans to develop small business in coordination with the public and private sector agencies and organizations.

It was deduced from interviews in public and private that USAID's staff in Grenada is well received as an agency, which is "getting things done". They are performing a delicate task with commendable wisdom and openness. There is, however, local resentment to the possibility of some of USAID's programs in Grenada being transferred to and managed from Barbados.

The survey found that there is a greater need for coordination between U.S. and non-U.S. aid and development agencies involved in assistance programs for small business in Grenada, in order to avoid "the left hand not knowing what the right hand is doing."

The public sector is very positively inclined towards all efforts directed at revitalizing the Grenadian economy; however, small business development is not considered a priority, per se, by the Grenadian Government, although it seems to be loosely integrated within the framework of Grenada's development policy.

The private sector is dominated by large wholesalers, who view small business as an outlet for their retail business. In general, the private sector in Grenada does not consider small business an independent and vital source of the economy, which can stimulate the production, marketing, and sale of local products on the island. There are, however, more and more indications that the private sector, with the proper coordination, is ready to actively participate in seeking solutions to develop a viable small business sector. A continuing process of adaptation through the proper training techniques would be one way of sensitizing the private sector to taking a more positive position towards small business.

II. EXISTING SMALL BUSINESS ENTERPRISES

A. PURPOSE OF SURVEY

To conduct a survey of small-scale enterprises in the Eastern Caribbean in order to determine the current needs and circumstances surrounding the growth of those enterprises to better evaluate the assistance needs.

This survey will serve the purpose of preparing a Project Identification Document (PID) for USAID/Barbados, from which a project for assisting small-scale enterprises in the Eastern Caribbean can be designed and implemented.

B. SURVEY METHODOLOGY

The execution of the survey involved several phases, consisting of: design of the survey instrument (prepared in Barbados); training of the interviewers (Barbados and Grenada); gathering data and analysis (Grenada); report preparation (Grenada, Barbados, and Miami).

The survey field work in Grenada was conducted over eight days, beginning Thursday, January 16, and ending January 24, 1985.

The field work involved a street by street canvassing of small businesses in the parishes of St. George's (population: 29,369); St. Andrew's (population: 22,425); St. Patrick's (population: 10,132); St. John's (population: 8,328); St. David's (population: 10,198), and St. Marks (population: 3,968).

Interviews were conducted with small businesses and business owners in the following sectors: agribusiness, light manufacturing, and service.

Other information included in this survey was obtained from:

1. Research: annual reports, departmental reports, studies, statistical data, and economic digests.

2. In-depth interviews of a cross-section of the key officials in the public and private sectors. This range included: the National Development Foundation of Grenada; Grenada Development Bank; Grenada Chamber of Commerce; Grenadian Corps of Entrepreneurs; Agency for Rural Transformation; Grenada Hotel Association; Coopers and Lybrand; Ministry of Trade; Ministry of Finance; Grenada Nutmeg Association; Grenada Co-operative Banana Society; Grenada Building and Loan Association; Barclay's Bank; Grenada Cocoa Association; Minor Spices Co-operative, Organization of American States; British High Commission; Ross Foodstuffs Traders, Ltd.; a selection of Rotary International members, and other private citizens.

C. RESULTS OF SURVEY

Approximately 75 small businesses were approached to take part in this survey, from which 44 were deemed suitable for inclusion. The rest were discarded owing to insufficant answers to questions, refusal to cooperate, engaged in retail businesses, or otherwise unsuitable.

The sample covered all parishes of Grenada but concentrated heavily on the parish of St. George's (which includes the capital) reflecting the concentration of small business in the South Western corner of the island.

D. MATRIX

A matrix was drawn up to illustrate the main findings of the survey. The sample was divided into the following four categories:

1. AGRO-INDUSTRIES: Any business by which value is added to primary produce. Eleven percent of the sample fell into this category.

2. LIGHT MANUFACTURING: Businesses involved in secondary production. Forty-four percent were in this category.

3. SERVICES: Businesses such as photo stores. repair shops, employment agencies. Thirty-four percent were of this type.

4. CRAFTS: This category was included to emphasize the importance of crafts as a viable industry in Grenada. Eleven percent of those interviewed fell into this category.

E. SIZE

The businesses were then analysed by size. A small business was considered to have assets of less than EC$5,000; a medium one between EC$5,000 and EC$100,000; and a large to be in excess of EC$110,000. Thirty-six percent were small, 32 percent were medium, and 32 percent were large.

F. STATUS

It was noticeable from the survey that many of the businesses operating in Grenada had been set up over the past 18 months. Fifty-nine percent were established businesses, and 41 percent were newly started or restarted in the past 18 months.

G. BUSINESS REQUIREMENTS

The next section in the matrix was designed to reflect the requirements of small businesses in Grenada. The requirements fell into four categories, namely:

1. FINANCIAL ASSISTANCE: This was defined as a need for funding in the form of a loan, either to expand existing business or to help establish a new business.

2. MARKETING ASSISTANCE: This was defined as a need for help in marketing products and searching for new outlets and contacts.

3. TRAINING: This section was divided into two areas to differentiate between those business people requiring training related to their production process and those requiring help with business management.

4. GOVERNMENT ASSISTANCE: This section was intended to focus attention on the need for assistance from the Government in providing concessions to businesses. The chart reflects the percentages of those interviewed who felt the need for assistance in the different categories versus those who did not.

RESULTS:

FINANCIAL ASSISTANCE	73% yes	versus	27% who did not
MARKETING ASSISTANCE	48% yes	versus	52% who did not
TRAINING			
Technical	9% yes	versus	91% who did not
Business	23% yes	versus	77% who did not
GOVERNMENT ASSISTANCE	23% yes	versus	77% who did not

H. DISTRIBUTION BY GENDER

Finally, the matrix also shows how many men and women are engaged in business (this was defined as who was actively responsible for managing the business, and not by ownership). The division was male - 73%; female - 27%. The number of employees in the businesses surveyed ranged from one to 24 persons and temporary personnel from one to 21 persons.

I. EDUCATIONAL LEVEL

From the survey it was noted that 45 percent of those sampled had attended only primary school, 7% had some secondary education, and 32% had some informal education. Sixteen percent had technical training of some description. The interviewers also felt that most of those surveyed were very reluctant to be specific about their educational background.

J. FINANCE

Many of the individuals surveyed felt that financial assistance would be the solution to their business problems; however, on further questioning, it was usually revealed that there were other underlying problems that were undetected by the businessowners themselves. These included the following:

- o lack of ability to successfully market products;
- o inability to adapt to changing trends;
- o lack of creativity, inhibiting business growth

K. GROWTH

Growth in business was often perceived by those sampled as growing physically larger (eg. increasing the size of the workshop or tools) with little regard to sales, markets, or general direction of the business.

L. BUSINESS INFORMATION

Very little up-to-date business information seemed to filter down to the small businessowners (eg. current trends, prevailing prices, standards, technological advances).

M. SMALL BUSINESS ASSOCIATION

There are very few institutional structures in place to assist small businesses; those that do exist have just recently started to focus on small businesses, as opposed to medium and large. There is no small business association. It is also important to notice that although the Grenada Chamber of Commerce is reviewing the possibility of establishing a small business association, it does not have the structure wherein a small businessperson would feel comfortable. It was therefore suggested that this association of small businesspeople become a separate entity from the Chamber of Commerce. Both organizations could have individual representation in each other's organizations.

III. INSTITUTIONS THAT SUPPORT SMALL BUSINESS

A. METHODOLOGY

The survey field work was conducted over a period of eight days, beginning Thursday, January 17th and ending January 24th. It

included in-depth interviews with existing institutions and individuals in both the public and private sectors that support small business either directly or indirectly.

B. DESCRIPTIONS OF INSTITUTIONS

NATIONAL DEVELOPMENT FOUNDATION OF GRENADA (NDFG)
Address: Halifax Street 11
St. George's, Grenada
Director: Chasley Bishop
Telephone No.: 3343

The NDFG is a local, non-profit organization inaugurated on January 25, 1985, and supported by an US$725,000 grant from USAID.

Goals:

- o training
- o technical assistance
- o credit
- o linkage among micro, small, medium, and large businesses

The NDFG will secure participation of beneficiaries by request and will focus on projects which are:

- o viable
- o productive
- o micro
- o unable to obtain funds from traditional lenders.

Loans: range from EC$500 - $20,000

Charges to Beneficiaries: equivalent to local bank rates of 12.5 percent on business loans.

Because of its recent creation, NDFG's objectives for self-sustainability could not be defined. The Director, however, expressed confidence that the institution could be self-supporting within 5 years.

The NDFG has not serviced any beneficiaries as of this writing, but has registered about 70 possible candidates for its loan program.

The organization's guidelines include close scrutiny of beneficiaries and a "hand holding" period during the initial start-up which will include some technical assistance and training.

The NDFG has a staff of six, including four paid and two volunteers--one of whom is from the Peace Corps. The Director is a C.P.A. with a banking background but no development experience.

The Director was not able to comment on the constraints to small

business development because NDFG had not yet been operational, but saw record keeping as a major problem in Grenada.

The Organization is associated with the Organization of American States (OAS) and Pan American Development Foundation (PADF).

Total 1985 budget:
Business Development: EC$300,000
Operational Expenses: EC$100,000

Expected 1985 loans portfolio:
120 - 150 beneficiaries, creating approximately 300 new jobs.

GRENADA DEVELOPMENT BANK
Address: Carinage, St. George's
Acting Manager: Mr. Aaron Mozes
Telephone No.: 2382

The Grenada Development Bank (established in 1976) is the successor to the Grenada Agriculture and Industrial Development Corporation, which itself was the successor to the Grenada Agricultural Bank established in 1965.

The bank is government controlled and its objectives include:

- o Assisting persons to establish, carry on, or expand development enterprises (including agricultural, industrial, tourist, and fishing enterprises) by participating in share capital, granting loans, and providing other forms of financial assistance to such persons;
- o Fostering the development of money and capital markets in Grenada;
- o Mobilizing and coordinating available recources to be utilized in financing industrial and agricultural projects in Grenada.

A new board is in the process of being set up. No details were available on this ten member board.

Loan Program:

- o Loans are available up to U.S.$200,000. A small business revolving loan fund is also available up to EC$10,000.
- o Loan policy is formulated through the Board of Directors in coordination with the Government development policy.

Credit is provided for:

- o Agriculture: farm infrastructure, transportation equipment, anti-erosion control, soil preparation;

- o Fishing Industry: purchase of boats and marine engines;
- o Handicrafts: factory buildings, equipment, and utilities;
- o Tourism: construction of small and medium hotels, renovations, and expansions;

In 1984, ten percent of the loan portfolio went to small business (loans under EC$10,000). Sixty-two percent went to industry and tourism and 10 to 20 percent went to medium businesses with a $75,000 maximum. About 9 percent of all loan portfolios default.

Interest rates vary from:

Agriculture	9.5 - 12%
Industry	9.5 - 11%
Student Loans	6 - 8%

Some 150 small business loans under EC$10,000 were processed.

During the period 1972-1982, the Grenada Development Bank received from the Caribbean Development Bank, a total of six lines of credit totaling approximately US$2 million. Loans which go beyond $200,000 are referred to the Caribbean Development Bank.

The Bank does not have share capital but the Government of Grenada provides the institution with equity. The Bank did not reveal its operating costs.

The operating staff is divided into:

- o Administrative section - 10 members
- o Agricultural section - 8 members
- o Industrial section - 1 member

Total staff: 19.

Constraints:

- o lack of entrepreneurship and productivity
- o good skills available but no skills transfer
- o small business persons difficult to motivate
- o quality
- o transfer of information
- o lack of technical assistance

Further comments by Mr. Mozes:
The Bank must continue to lend to small business and get involved in small business training programs. There must be cooperation between small and established enterprises to see how they can supplement each other.

AGENCY FOR RURAL TRANSFORMATION (ART)
Executive Director: Bryan Cambell
Telephone No.: 3021

Goals:

Established in 1981, ART's programs concentrate on meeting the needs of the non-governmental organizations representing farmers, youth, women, agricultural workers, and small crafts producers. ART plays a supportive, not prescriptive role, in program development and design for organizations that seek the Agency's assistance.

ART works towards improving the possibility for self-reliance and going beyond the subsistance level of its target groups through projects that train, improve organizational skills, and provide the basis for increased income.

The following sections form the framework of ART's programs:

Organization/Development:

Recognizing the importance of youth in the development of a society, ART works to ensure the development of a sound youth organization free from political influence.

ART sees the specific ways and means of achieving this through close collaboration with the Department of Youth and the National Youth Organization in the development of programs that focus on skills training.

ART as a non-partisan and independent organization plays a key role in the re-mobilization of women's organization. The Board of Directors have already set up a sub-committee to begin talks with the parties concerned, mainly, the Department of Women's Affairs and small individual women's organizations to look at the ways and means for the formation of a national organization.

ART assists farmers to consolidate and carry out rural transformation.

In October 1984, ART began working with two groups of farmers, which are being organized around the establishment of two marketing and supply centers.

Non-Government Organization Liaison:

Since the political crisis of 1983, ART seeks to re-establish itself as a positive vehicle to channel outside funds to local Grenadian groups.

Time is spent within this activity to draw up programs for visiting organizations, to ensure that the right contacts are made and time is usefully spent. The net results of this activity are usually:

- o Positive international promotion - oral and written

- o Provision for technical assistance
- o Project funding
- o Marketing possibilities by Third World shops
- o Provision of materials and information

Project Development/Management:

This activity is the means by which ART makes certain that scarce resources are put to the maximum use. ART only assists organizations and institutions in project development.

Funding: European

Budget: EC$2 million

ART has serviced approximately 2,000 small business people since its inception.

ARTISANAL FISHERIES
Address: Grand Mal, St. George's
General Manager: Mr. J. Findlay
Established: 1981
Funding: Soft loans from CEDA, Venezuelan, and Grenadian Governments; administered through National Commercial Bank

Purpose: To provide loans to fishermen for equipment up to EC$10,000.

Requirements for loans: 1/3 down or equivalent in collateral.

Fishing Industry: 900 full-time fishermen and boat owners
300 part-time fishermen
120 fish vendors

Constraints:
- o Most fishermen do not meet loan requirements
- o No cold storage facilities, fish processing, or salting of any kind to handle seasonal oversupply.

Opportunity: National Development Foundation could provide assistance in meeting loan requirements. Cold storage and salting facilities could be provided by an overseas agency or U.S. service organization, such as Rotary International.

MINOR SPICES COOPERATIVE
Address: Market Square, St. George's
Contact Person: Robert Furgeson
Telephone No.: 3458

The Cooperative has a monopoly (granted by law in 1980), which controls all trade in minor spices on Grenada. Most of the spices are sold on the commodity market. It cannot compete, however, with large-scale international processing firms. USAID has carried out a survey of this project.

C. OTHER ORGANIZATIONS AND INSTITUTIONS PROVIDING SUPPORT TO SMALL BUSINESSES IN GRENADA

THE MANUFACTURERS COUNCIL
Address: Grenada Chamber of Commerce
Melville Street, St. George's
President: Edwin DeGale
Telephone No.: 3009
The Council was recently set up to lobby government support for small, medium and large scale businesses.

GRENCRAFT

Address: Melville Street, St. George
Manager: Sharon Holas
Telephone No.: 2655
Grencraft is the market outlet for the Government-run (Dept. of Education) training center at Tanteen (P. Josephs, Manager). Both organizations operate hand in hand and provide training and marketing in bamboo craft, strawcraft, ceramics (13 people presently attending), batik-dye (part-time); a total of about 100 people are presently attending courses. There is no charge for this service.

Operating costs for 1984, were approximately EC$80,000. Funding was through grants and income generation sales. The marketing and training centers provide sevices to some 300 small business persons.

Goal: Improving the standards in craftwork. Grencraft would like to increase its activities to include export. Additional funding is needed to improve crafts training and marketing techniques. Tanteen Craft Workshop needs equipment upgrading and would to offer general carpentry and handicraft training programs.

THE EMPLOYERS FEDERATION

Executive Director: Mrs. Angela Smith
Telephone No.: 1832

Goal: Provides industrial advice and support for small to medium size businesses. It works closely with Grenada Chamber of Commerce.

THE GRENADA CORPS OF ENTREPRENEURS

Executive Director: George DeBourc
Telephone No: 3308

Goal: The Corps was recently established (1984) to provide enterpreneurial training. It held one major conference last year. This group is associated with the American Corps of Entrepreneurs, and although just established, it is an active group which shows promise. It receives some (undisclosed) funding from the American Corps of Entrepreneurs.

THE COOPERATIVE DIVISION OF THE MINISTRY OF LABOR
Contact Person: Julius Forsyth
Telephone No: 2814

Goal: The Division provides advice and keeps track of some 14 cooperatives, each with up to 12 members. A status list of these cooperatives is included.

THE NATIONAL MARKETING AND IMPORTING BOARD

Contact Person: Mr. William Well
Telephone No.: 2732

Goals: The Board is the marketing section of the Ministry of Finance, which provides marketing support for small businesses which produce local consumer products. It exported under one-quarter of total production in 1984. Product line consists of hot sauce and spices. Figures on these were unavailable.

Major constraints: lack of expertise, inadequate transportation to outlets from source, closing of Spice Island Factory.

THE GRENADA CHAMBER OF COMMERCE
St. George's
Executive Director: Jenni Killam
Telephone No: 2937

Membership is open to and composed of large and small firms, as well as individuals.

Goal: Apart from the usual commercial and representational services the Chamber operates a range of committees to shape business policy and action in Grenada.

There is no separate small business committee at present.

PEACE CORPS

Associate Director: Mary Pilowski
20 volunteers

Most activities are presently directed towards the educational field

(with 15 of its volunteers). Three others are in agriculture, one is a librarian, and one is attached to the National Development Foundation. The Director is presently revamping operations to increase support to the small business sector.

D. SERVICE ORGANIZATIONS

Rotary, Lions, Soroptomist, Jaycees Clubs, etc. provide a unique opportunity to promote and assist small business development, which is presently not being explored to the fullest extent.

E. OBSERVATIONS ABOUT INSTITUTIONAL NEEDS IN RELATION TO SMALL BUSINESS

In reviewing the institutions examined, the following pattern has emerged:

- There is a need for government-supported coordination of all institutional activities directed towards small business.
- There is a need to establish a small business association.
- There is a need to sensitize larger businesses in Grenada to accept the concept of small business as a source of employment and a means to improve the overall economic picture.

IV. NEW BUSINESS OPPORTUNITES IN GRENADA

The following are potential new businesses identified from both the small business and institutional surveys.

	PRODUCT
Agriculture:	DO-IT-YOURSELF NUTMEG KIT Nutmeg (whole) in small container. Included in package are whole nutmegs and small grater.
Investment:	US$10,000; Nutmeg Association already has a small plant, but marketing went sour. Association needed marketing skills and marketing support. Product available in large quantities.
Marketing:	U.S.A. and Europe to speciality product shops, gourmet shops, gift shops.

PRODUCT

Service: Communications Center providing computer linkages including express electronic mail connection to U.S.electronic mail services. This project can be coordinated with the Grenada Telephone Company.

Investment: US$18,000, for equipment and first year operation. Return on investment: 3 years.

Market: Local government, overseas organizations, local and international business entities.

PRODUCT

Agriculture: Banana, breadfruit, and cassava chip snack packs, salted and unsalted.

Investment: US$2,500 - $5,000 for deep frying equipment; packaging (cellophane bags); technical and marketing training.

Market: All food outlets in Grenada, hotels, yacht supply shops, and inter-island airlines. Export opportunities are limited.

PRODUCT

Agriculture: Natural cocoa bonbons; Processed cocoa presently sold by cocoa farmers at the market without a wrapper could be packaged attractively and given longer shelf life with proper preserving.

Investment: US$10,000 for wrapping, molds, preservatives, marketing support and training. Project could be supervised by Cocoa Association. Return on investment: 3 years.

Market: Tourist and general food stores. Expansion into export market could include gourmet shops and gift shops.

PRODUCT

Service: Secretarial/wordprocessing center to provide services for businesses and agencies operating in Grenada at per unit cost.

Investment: US$40,000, to be used mainly to upgrade existing temporary secretarial agencies with the appropriate equipment, training, and start-up capital to meet initial personnel costs. Return on investment: 2 years.

Market: Local and foreign business community; government agencies. Opportunities for this service are excellent with the increased business and development activities forecast for Grenada.

V. IMPEDIMENTS TO SBE GROWTH IN GRENADA

A. COORDINATION

The most pressing problem hindering the growth of SBE's in Grenada is a lack of government-supported institutional coordination. Without this coordination, there will be only fragmented progress.

B. FINANCE

Another frequently voiced complaint of small business people is the lack of access to financial services. One of their needs is for working capital, since small enterprises often cannot obtain supplier credit nor credit lines, which are available to larger firms. Fixed capital for longer term investments is even less available to small businesses, since most of them do not have the necessary collateral.

Another need is for a secure savings mechanism that would permit the entrepreneur to accumulate his retained earnings. Bad business decisions, unwise speculation and allocation of resources, as well excessive personal drawings are just a few of the consequences of the inadequate local savings devices.

Where loans are available, the small business person may not know how to prepare a loan proposal, or may lack the fixed assets often required as collateral. Lending institutions may not have services to package loan requests, not alternative forms of collateral other than titles to property.

C. MANAGEMENT

Small enterprises are frequently hindered by poor management capacity. To resolve this, many management assistance schemes have attempted to focus on bookkeeping practices, in part because they contribute to the documentation required by lending institutions to assess credit worthiness. Rather than give on the external form of bookkeeping, emphasis should be placed on the entrepreneur's being able to understand and adopt the principles of better financial management to his/her business. These include the management of working capital, cash flow, cost accounting, pricing, and inventory

management. Bookkeeping practices should be a follow-up to that expertise.

D. MARKETING

A major constraint which small businesses face is that markets are often small and fragmented. Poor linkages exist between small producers and those who would buy large quantities of their goods. Small businesses also lack a marketing orientation as well as technical know-how. Small business people with entrepreneurial inclinations may exist in locally saturated markets. They may lack business consultancy services that would help them apply their skills in a slightly different activity or inform them of what is involved in penetrating markets with which they do not have first-hand experience.

To summarize, small businesses face the following constraints: institutional coordination, finance, management, marketing, technology, raw materials, labor, infrastructure, policy climate, cultural attitudes, and scale.

VI. RECOMMENDATIONS AND STRATEGIES

Of all the impediments to growth, the lack of government-supported institutional coordination was probably the most evident and pressing.

Small business in Grenada needs to go through a developing and maturing process, on a national level, before it can operate on a regional level.

John Naisbitt, in Megatrends, describes the word "process" as a product you cannot buy from the outside. "It is something that occurs inside an institution. It is the hard work of colleagues questioning every aspect of an institution's purpose and the questioning of the purpose itself. That purpose must be right, and it must be a shared vision, a strategic vision."

The following, therefore, are some recommendations "from the outside" with suggestions on how this internal process might take place.

A well-defined institutionally coordinated effort, with a strong government involvement, would greatly assist the accelerated integration of small business in the Grenadian economic process. This integration could take place in two phases over a five year period and would cover all the constraints listed in this report.

Phase I

Phase I would focus on coordinating and gaining support for small

business from the three major sectors in Grenada:

- o public
- o private
- o institutional

Phase II

The process will focus on achieving:

- o public business awareness
- o institution building
- o market research
- o training
- o production
- o marketing and sales

Action Plan - Phase I (18 months)

Objective: To develop a coordinating body for the integration of small business in the local marketing process.

Implementation: Under the auspices and management of the Grenada Chamber of Commerce, a national small business task force could be composed of:

A) Public sector: Departments of Finance, Planning, Trade and Industrial Development, Education, Agriculture, Fisheries, Tourism, and Labor.
Total members: 6

B) Private sector: Representatives from manufacturing, small business, banking, and import/retail.
Total members: 9

C) Semi-public sector: Nutmeg, cocoa, banana growers' marketing agencies.
Total members: 3

D) Institutional sector: Labor unions, Employees' Federations, National Development Foundation, Chamber of Commerce, press.
Total members: 6

Secretariat: Chamber of Commerce

Task Force assistance needs include: technical assistance, management training, program planning, personal development, marketing. This assistance should be provided to the Task Force by external consulting agencies on a continuing basis and managed by the Chamber of Commerce.

Estimated budget requirements: US$500,000 over 18 months.

Action Plan - Phase II (42 months)

Objective: Integrate small business into national sectoral development process.

Implementation:

A. The task force (established in Phase I), identifies and agrees upon major areas of opportunity, where local production of produce, goods, and services could supplement or replace non-local products or services.

   After opportunities are identified, the task force appoints a three-member action team from within the task force for each identified project. Each action team will prepare an implemention plan for approval by the task force and manage the project for one year. After the first year, the project will be transfered to the principle client and supplier identified, who will manage and coordinate the project.

   Assistance needs include: technical assistance, small business credit programs, equipment, peace corps involvement.

   Funding would be based on individual business plans.

   Budget estimated at US$3,000,000 during the 42 month period.

B. In conjunction with the Action Plan to stimulate the production and sale of local products and services to the import-oriented consumer market, the task force will select six Action Team Leaders from either within the task force or the community, who are specialists in:

   - o communications
   - o institution building
   - o market research
   - o training
   - o production
   - o marketing/sales

   The Action Teams, composed of three members each, will design, produce, and manage support programs in the above-mentioned categories.

   After the first two years (24 month period) of the program life cycle (42 months), the coordination of the program will be transfered to the respective government agencies, which correspond to the disciplines listed above. The compositon of the Task Force (see Phase I) will make this a relatively simple operation.

   Assistance needs include: technical assistance based on the listed disciplines.

Funding: Based on a detailed business plan for each sector. Estimated at US$1,200,000 for the 42 month period.

Follow-up:

At the completion of the Task Force's 52 month life cycle, the Chamber of Commerce of Grenada should have established an independent Small Business Association, which, based on the Task Force's activities, will have a clear-cut mandate. In a sense, it will be able to continue many of the activities begun by the Small Business Task Force. It will also review other opportunities such as regionalization of small business, production sharing, new communciations technologies, barter, etc.

It is apparent that the main thrust in developing small business in Grenada and probably throughout the Caribbean will have to come from within. In creating a business task force for Grenada, by Grenadians, with an open agenda, people will have to rely on themselves for success and reward. This self-help model can work to solve every possible problem facing small business.

Given the present economic climate and U.S. support, indications are most positive for a long-term economic improvement in Grenada. Small business could very well be a major benefactor.

REPORT OF THE SMALL BUSINESSES SURVEYED IN MONTSERRAT

Monserrat Small Business Survey

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ATTACHMENTS

1. BACKGROUND AND SUMMARY

A. Socio Economic Setting

The business environment on the Island of Montserrat demonstrates, perhaps more clearly than any other East Caribbean island, the constraints for private sector development in the region. The economy of this island is small, even by EC standards: The population holds steady at about 12,000 and the GDP, according to government records, is within a range of from $EC 75 million to $EC 80 million, and the emigrant remittances may be unofficially as much as 25% of GDP. Because of a history of emigration the population and per capita income remain steady and reasonably adequate. The number of departures (slightly over 200) is about equal to the number of annual births, and the per capita income is now $EC 6,652, according to preliminary figures for 1982, the most recent available.

The total employment is just under 5000, but is strongly skewed toward the influence of government, and away from the private sector. While the number of civil servants is quoted to be about 750, the number of those among the working population who work for government is 1,237. (9th Statistical Digest of the Government of Montserrat 1984) Those not employed by government stand at 2,617. However, even more significant from the perspective of this survey is that only 181 people have their own business or farm but do not employ another person. While this same govt. statistical source considers that a mere 10% of the counted working population is employed in manufacturing, our survey confirms the first Survey of Business Establishments made in 1981 that most of the productive employment on the island is the result of very few enterprises. By any measure the entrepreneurial strata of Montserrat is extremely thin.

Outside of government, with it's current and capital expenditures of $EC 28,862,000 (1982), the most influencial 2 factors in the local economy are the construction industry and the presence since 1980 of the American University of the Caribbean Medical School.

The highly influencial construction industry has been traditionally centered in the purchase of real estate and building for retirees from the US, Canada, and to a lessor extent the U.K. At present there are about 350 such homes on the island which are occupied or rented during the winter tourist season primarily, and the nearly 15, 000 stay-over tourists, as they are called, are responsible for most of the $EC 15 million total tourism receipts.

Approximately 35 houses per year have been built for the past 10 years. These cost around $US 100,000 each. As the cost of construction is a staggering $US 45.00 to $US 50.00 per square foot. Recently (1983 - 1984) the number per year has dropped to 15. Also the number of persons employed has

decreased, causing for the first time a noticeable group of young men who loiter about the capital of Plymouth during the day. An estimated $EC 15 million per year is injected into the economy by the construction industry.

This major sector of activity has had a significant repercussion, on the employment balance in the island's economy, since this both ties the economy to the growth or recession in the US and siphons workers from agriculture. The most reasonable explanation offered for the decline in aceage under cultivation and the age of those currently engaged in farming (60 - 67 years) is the economic and social pull of construction which offers a regular, less risky, and more status filled type of employment. Residents observe, furthermore, that more restrictive visa policies, especially in Great Britain, will slowly but firmly close off what has been an unemployment escape valve for the island. As a result the island may begin to experience, for the first time, the social-political heat of an idle workforce that could strain a government that has been prudently able to keep to a balanced annual budget for operating expenditures, since 1980 when the British Government ceased to subsidize current expenditures.

The recent installation of the off shore medical school on the 39.5 square mile island of Montserrat has had a noticable economic impact on the island. Even after the completion of the construction of the basic campus the institution employes 70 local workers on a regular basis. Of the roughly 350 students presently studying in the modern and well equipped campus, roughly 70 live in rented quarters off the campus. Not only does each student pay a $US 500 fee and the school pay about $US 50,000 annually to the government, but the school imports $US 2 million per year and pays approximately $US 500,000 in duties. Educational materials are duty free, but food and building materials are subject to import duty. Only meat, eggs, and bread are purchased consistantly on the local market due mainly to local production constraints. Cement and concrete block are available from suppliers on the island, but other construction materials for expansion must be imported.

While initially there was some apprehension on the part of local residents that the rapid appearance of so many American young people would have a disruptive social effect, there have been no adverse repercussions and the island has absorbed the institution and its participants, welcoming its economic impact, in spite of the pressure on housing and rents. The school is now a permanent part of the economic landscape and has the capacity to expand up to 800 students.

Next to the two above mentioned economic influences the most important sector in the local economy is wholesale and retail trade, virtually all of whose products are imported. The nearly 75 such establishment, many of which are quite small, show total annual sales (1981) of nearly $EC 36.5 million and employ just over 1,300 persons.

Other general indicators appear similar to other islands of the Eastern Caribbean. The cost of living increases have dropped from 7.1% in 1981 and 9.8% in 1982 to 2.3% in 1983, and will no doubt continue to be stable through '84 since the EC dollar is pegged to the US dollar and most goods come from the US. Wages for semi-skilled and skilled workers are in the $EC 100 to $EC 200 per week range, with agriculture being lower and the civil service usually higher. Economic growth has decreased slightly in 1984 and 1985, and is not expected to be substantially different, though officials hope for some positive indicators by year end.

In addition to this objective description of the Montserrat economic business environment there is one subjective observation that has a significant impact on both findings from the survey and subsequent recommendations. The social and economic ambience of the island demonstrates a noticeably tranquil equilibrium. Life in Montserrat is devoid of pressures for change. Politically the country is dependant on Great Britain, as evidenced by the arrival on January 16th of the new Governor appointed by the Queen, while internally the country functions independantly with a parliamentary democratic system. Economically the public sector operates within a balanced budget, while relying on grants from donor countries to finance major capital investment. (see appendix 1 & 2)

However, of more importance is the social rapprochement that exits between the expatriate population and the local citizens of the country. There are rumors of a move toward national independence, and the issue is raised periodically, but there is not the intense feelings which other former colonies have experienced. Crime is virtually non existant, and traditional low unemployment in combination with steady working emigrant remittances, have alleviated the usual causes for social agitation. Basic needs are supplied through a liberal import policy and the extended family provides for those who suffer temporary deprivation. The climate and diet keep people reasonable healthy in comparison to other third world countries.

In short, while there are individual drives for business development and growth, there are no strong social pressures to alter the existing environment or to remedy any deeply felt crisis. The individual drive is evidenced by a construction worker who starts his own business; the equilibrium is illustrated by the census which shows that only 1145 person in the economically active years of from 40 to 55 years of age reside on the island. It is an island which would like to have more productive employment, but it is not an island facing a present and urgent crises to expand the agri-business, light manufacturing, and services sector. Life could be better, but it is not perceived to be bad at present.

B. Problems of Small Businesses on the Island

With only a few exceptions all enterprises on the island encounter the same difficulties. They exist within a market that is too small to justify major investments for expansion, and are isolated by both geographic and infrastructure distances from off shore regional or North American markets. Within the firms there occurs a pervasive deficiency in the simplest methods of record keeping, inventory controls, and accounting, further complicated by a mixing of personal and business funds. The technical productive capability in agri-business, light manufacturing, and service firms is usually quite simple and old fashioned, adequate for the island but not capable of competitive economies of scale. Labor at $EC 400 to $EC 800 per month is low by US standards, however its low productivity often makes it more expensive on a per unit basis. Finally, cultural constraints and political interference contribute to a structurally difficult business environment.

The panorama and inter-related network of these constraints make it unwise to develop private sector support programs with a narrow base; any effective strategy must deal with all the constraints.

C. Proposed projects and Ideas

The proposed projects originating from official circles (see appendix 1 and 2) Fall into the two basic categories of agriculture production and infrastructure. There are no proposals targeted at promoting the growth of the private sector.

Furthermore, outside of individual owners/managers and the Chamber of Commerce and Industry, there is scant awareness of the need for support programs to encourage employment in the private sector. A tradition of grant seeking for public sector projects and construction financed by permanent tourist residents has kept attention away from the potential of the private sector.

This report, therefore, attempts to address both the private sector programmatic vacuum and the interrelated fabric of immediate business problems. The mechanism recommended is an Eastern Caribbean Marketing and Management Institute that would utilize existing capabilities and supply additional functional assistance at each of the critical business thresholds on each island. Section VI explains in detail the purpose, organization, operations, design and testing, and support of such a program.

D. Local and Country Support

Any private sector assistance effort for the island of Montserrat must recognize that there is no organized and operating assistance for business enterprises. Banks provide credit mainly in the retail/wholesale sector, and the Chamber of

Commerce and Industry (recently organized) is providing a forum for discussion. Beyond these, the business assistance landscape is barren.

II. EXISTING SMALL BUSINESS ENTERPRISES (SBE's)

A. Introduction

Because of the size of the island of Montserrat and its population, it was possible in the course of this survey to interview virtually every business engaged in agri-business, light manufacturing (including crafts) and services. Most answered the questions from the prepared questionnaire to the best of their ability, but their inadequate records did not make them well informed about either the operations or potential of the business. Of the 51 firms interviewed, one third or more expressed a reluctance to reveal sales figures. In fact, the more successful the enterprise the less willing the owner was to provide such information. Four of the business persons approached flatly refused to provide any information at all. Others expressed that they were tired being surveyed and asked when some one was going to do something.

The survey was made possible because of the collaboration of the Chamber of Commerce and Industry and its able part time executive secretary, Mr. Fred Lee. A presentation to the Chamber early in the survey trip and two interviews on the local radio station explained the interest of USAID, the purpose of the survey, and the methodology to be utilized. The fact that the consultant had participated in a local enterprise start up in another Eastern Caribbean island provided a common bond with business people and a catalyst for discussing the problems of business development and management.

B. Results of the Survey

With but one or two exceptions the island contains productive enterprise in the following groups and quantities:

Agri-business and Food Processing	18
Light manufacturing	13
Services	13
Crafts	6

While the total sales figures collected in the survey are not reliable because 12 of the 50 did not give the information, the amount of assets do indicate the limited productive capacity of the enterprises:

Agri-business and Food Processing	$EC 1,406.1
Light Manufacturing	24,506.7
Services	362.5
Crafts	81.9
	$EC 26,351.2

The total sales figures collected in the survey are not reliable because 12 of the 50 did not give information tothe interviewer. The amount of assets do indicate the limited productive capacity of the enterprises.

The employment created by these firms (including the owner/manager) is as follows:

Agri-business and Food Processing	118
Light manufacturing	201
Services	71
Crafts	13
TOTAL	403

This results in a revealing pattern of the Asset/Employment ratio:

Agri-business and Food Procesing	EC$ 11,716
Light manufacturing	121,920
Services	5,105
Crafts	6,320
AM FIRMS	65,079 ???

Again the interpretation of such a ratio must be adjusted upward by some factor to account for those firms not providing asset figures. All firms gave employment totals.

Clearly, the island's productive or value adding employment. It is an extremely narrow private sector base for income earning on the island.

There are certain other observed industry groupings which complete the islands business pattern. Eight of the 13 Light Manufacturing companies, 5 require export sales to survive and provide 162 jobs. Among the Food Processing Firms almost half produce such things as bread, ice cream and meat for local consumption. The small number of craft firms of individuals (such activities as silk screen of "T" shirts were excluded) indicate that tourism does not represent a sizeable market to the island.

The most important result of the survey, however, is not in the statistics but in the responses to the questions dealing with business needs and constraints. Of the 48 who replied to the questions, more or less knowledgeable, 27 cited some aspect of markets or marketing as the principal business growth barrier. Furthermore, and of special significance for a private sector development program design, rarely was money mentioned <u>by itself</u> as a constraint upon business growth. It was usually cited in relation to other basic business functions such as raw materials, equipment of sales programs. These and other constraints are discussed in detail in Section III--Impediments To Growth.

III. IMPEDIMENTS TO GROWTH

The constraints to business growth in the three sectors that were a part of this survey were observed in virtually every firm, regardless of size, and were mentioned by all the managers or owners interviewed.

Various respondents cited money as a need which they felt important for their growth, usually for equipment, raw materials or working capital, but this constraint must be viewed against the larger context of business developlment. In fact, most of those who responded with capital constraints also referred to one of the other major business functions as being important for growth. The three banks, all of whom have adequate liquidity for additional lending, refuse to make anything but secured loans because there is no other means to evaluate repayment intent and capability. Even if there were, for example, a developement bank or a development window at the commercial banks, there would be a lack of viable projects. One bank does, in fact, have a private investment subsidiary especially set up for debt as well as equity participation in "bankable" growth projects. The one government ministry which is presently attempting to organize a mini business loan program is dubious as to whether it can prudently and responsibly accept a small fund from the British Development Division. So it must be firmly maintained that the major constraint is not financial, but rather is the result of other problems faced by the enterprises on the island.

The constraints are soon apparent to the investigator into the climate for business development in Montserrat, and fall into several major categories.

1. Marketing and Markets

The summary of "stated constraints" reveals that nearly every business man or woman interviewed cited a market limitation or market access limitation as one of the principle impediments to growth. Indicators such as population, imports and consumption reveal the small size of the market confronting the would be local producer. Total imports are estimated to be approaching $EC 55 million, but food imports tend to remain flat at around $EC 10 milllion, while fuels and machinery, including vehicles have shown some increases since 1981. (the presence of the medical students, faculty, and families, pushes most imported items to a new plateau, albeit in a one time increase that is not expected to be repeated.)

The attached list of imports by SITC code (Annual Trade Report) provided statistical support for what is easily observed: there are no producers moving into import substitution activities. The local market is simply too small to justify such an investment. One of the furniture producers interviewed expressed a desire that the government prohibit the entry of wooden and metal imported furniture onto the island, but the government has resisted any such sacrifice by the consumer.

In addition, the export market is accessible to local manufacturers only with great difficulty. A few of the major firms have attempted and sold a few small orders in the Caribbean market, however all complain of shipping and payment problems. A garment manufacturer recently attended a symposium in Barbados in which three Carribean producers of the same items discussed the possibility of combining to fill a sub-contracted order to a US buyer. Firms in Montserrat might participate in such consortiums, but the burden of structuring, implementing, and monitoring such sales, as well as delivery and payment, would have to fall elsewhere. Such collaboration in this critical area is desired, but firms on this small island do not possess the managerial ability or the financial resources to execute it.

A further difficulty is the simple matter of identifying even potential customers outside the island. The necessary cost of regular travel is beyond the resources of most, even if they had the experience required in marketing. The few export sales which are made are circumstancial accidents, rather than the result of following an effectively designed plan. One exception is illustrative of the severity of the obstacle. A US based firm, owned by a Montserratian, assembles electronic parts for customers, such as Texas Instruments, but the manager of this operation was and is still a resident of the US and developed the enterprise there, organizing it from sales contracts to island

based production.

The market limitations and the deficiency of marketing capability in this, the smallest of the islands, demonstrates that any assistance strategy for the Eastern Caribbean must deal with the size and fragmentation of the market.

2. Communications, Shipping, and Freight Handling

Closely tied to the marketing problems are the physical and structural infrastructure gaps in communicating off the island, bringing products into the island, and having manufactured goods reach their destination. Virtually every business doing business off the island has a horror story to tell about raw materials being held up in Miami while a containor is put together, or an air freight shipment sitting in Antigua for four weeks, or worse a customer not paying his bill for a shipment already received. For all of these, charges are high and service is poor. Common is the comment that at times the freight charges, including a $US 200 documentation fee, amount to more than the price of the goods purchased. Only one firm reported a satisfactory experience with receiving and shipping of goods, the US based electronics assembler, and he referred to it as a secret which he would not reveal.

It is a problem which can be solved, but not by a firm restricted to the island working in isolation. Any business development strategy must deal with the communication, shipping, and freight links in order to complete an effective chain of delivery that is as effective as making an international telephone call.

3. Management and Financial Controls.

By far the most serious constraint upon the growth and development of enterprises of any size in Montserrat is the lack if adequate management. It is so serious that most do not even realize the need for it, and the bankers do not even regard the local accounting firms as competent to furnish useful reports. All firms questioned, with the exception of perhaps two, had no consistant recording keeping system for their finances, raw materials, or finished goods inventory. At the very best, a few kept a single entry book of expenses or a checkbook separate for the business. Most of those interviewed know how much they are taking in per month (even if they were not willing to tell for fear of repercussions by the Inland Revenue), but beyond that there is little congnizance of information that would guide decision making within the business.

Illustrations abound. Retailers place an order for an item when they have a customer ask for an item and discover that they are out. One banker told the story of a businessman who went to Antiqua with an empty suitcase on Friday, made his purchases in the stores, and returned with the items in his baggage in order to be ready for Saturday morning in Montserrat. An internal report

examining the Development Finance and Marketing Corporation of the government reported that it also had no appraisal and supervision system for loans that had been made. (The CDB has made reorganization a condition for renewed lending). The DFMC openly states that it has no financially trained personnel.

The bleakness of the situation cannot be overstated. No programmatic effort to support enterprise development could succeed unless it provided a simple, but effective, assistance to install production, sale, and financial record keeping and planning systems for target enterprises.

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4. Productivity and Training

The owner/manager expressed in only two interviews a satisfaction with the productivity of workers; in both cases the people had been carefully trained on the premises under close supervision. (One was the assembler of electronic components, and the other was a maker of tuffted tapestries. Both brought skills and experience from off the island.) In many others there was an expressed complaint that worker productivity was too low. The expatriates in supervisory positions, such as the maintenance and buildings manager at the medical school, who would compare worker attitudes and productivity to the US or Canada, would comment that close supervision and training can improve output. In the construction industry high per square foot building costs are in part due to the lack of skill, slow speed, and low productivity of local labor. The experience of those who have learned a trade or skill elsewhere, for example appliance repair or fiberglass laminations, and then utilized the experience on the Island is quite common.

The findings of the survey demonstrate that while there is a definite need for training to raise productivity levels, the provision of it could be straightforward, if applied on an enterprise target basis. Successful cases illustrate that many are interested and responsive to learning new skills and improving existing ones. A training component could support any model developed to stimulate growth and expansion of enterprises in Montserrat.

5. Agricultural Production

Because of its importance in developing any of the potential food processing industries, either for import substitution or for the Caribbean market, the Island's productivity must receive special attention. Under current conditions any such enterprise would encounter severe supply shortages.

The Island over the past three decades has moved from a fresh food exporter to a fresh food importer, and the acreage under cultivation has declined. Official estimates are that only 20 farmers regularly grow for the local market. A mere 4% of the island's GDP is from agriculture, and perhaps more significant the average age of the individual farmer is over 60 years.

In spite of the high prices and unmet demand, existing or new farmers are not attempting to increase production. Part of the explanation is the land tenure system which has restricted farming to leased land. The government has acquired some larger estates and has a program for financing the sale of land to small farmers, but the program is presently inactive. Another part of the explanation has been the attraction of a regular wage in the construction industry which has pulled potential younger farmers away from the land. Thus, while there are some technical assistance programs being carried out in the Ministry of Agriculture with the help of the UNDP and the Peace Corps, there has been no increase in production and expansion of land under cultivation. As a result, even those crops which could be grown on the island are imported.

The importance of this constraint for semi-industrialized or even cottage industry food processing would influence any agribusiness development scheme that might be proposed. Internal structural defects in the agricultural economy would have to be either dealt with by the authorities or circumvented by the project in order to establish a secure source of agricultural raw materials.

6. Infrastructure

For a small isolated island the physical infrastructure is quite good. Roads are few but kept in repair. Water and electricity are adequate and reasonably priced.

7. Ownership

A comparitively large number (four) of the master productive industries on the island utilizing local raw materials are government owned. This complicates business planning decision making and potential joint venture negotiations.

8. Culture

There is a category of constraints that is less quantifiable, and yet still recognized as highly influencing on business development and support programs. There is an attitude, or a mind set, or an ingrained perspective motivation behavior

that produces strong counter business and development forces. Rooted in and expressed by the local culture, these cultural patterns cut against the grain of certain fundamental assumptions that are essential for private sector developement. Though difficult to measure, they are, nonetheless, very real.

Countries, like Montserrat, growing out of a colonial tradition and hightly influenced by a tourist economy, develop a certain type of attitude and approach to business relationships. This is illustrated in the observation that there is little grasp of increasing revenues by lowering prices to effectively compete and raise sales volumes. It begins as a factor growing, of the nature of the tourist market, but results in a subtle attitude of the one time, high prices sale. In its most repulsive form it is know as hustling the tourists, but it can be seen in transactions all the way from selling local handicrafts on the streets to the real estate trade in high priced lots for retirees from the US and Canada. (The decline of the pound has disqualified U.K. buyers.) The residue of collonialism is exemplified by the pursuit of grants rather than loans for capital projects.

A more serious effect of this history of the islands and the influence of tourism, in combination with that sense of vulnerability coming from their fragmentation and size, are the cultural patterns that undercut agreements, contracts, and confidence. There were clear statements from several sources, with no prompting from the interviewer, that contracts had been broken, written and spoken agreements disregarded, laws changed after the fact and bribes requested. In two cases this has resulted in the explicit decision by interested foreign investors to not locate or invest on the island. From an anthropological point of view this can be described as valuing one's nation or personal material status in the society above relationships with foreigners, but it makes the environment for conducting business extremely hostile.

While the state of affairs in Caribbean politics, as it is often termed, is well known, rarely is it labeled as a constraint for private sector development. However, it exerts an influence on investment and development among local businesses as much as foreigners, that is a serious constraint along with the lack of training, management, and technical capability. Whatever its historical and cultural causes, it must be recognized and considered in designing a strategy for supporting and stimulating private sector growth.

IV. RECOMMENDATIONS AND STRATEGIES

A. Problem

The growth and start up of enterprises in the Eastern Caribbean, and especially Montserrat, is constrained by management, marketing, technical, financial and cultural constraints. No one form of assistance will address the need:

one or all are missing from each island.

B. Purpose

The problem can be effectivley addressed by the formation of an Eastern Caribbean Marketing and Management & Financial Coordinating Organization that includes the following functions:

1. Management expertise based on each island

2. Marketing informational networks extending to the region and the U.S.

3. Technical consulting for major industry and service sectors

4. Credit to finance medium term enterprise expansion

5. Training modules for management and technical subject areas.

6. Assistance in small scale component procurement

C. Organization

Because the markets and capabilities on each island are limited to growth they must be linked within one operational organization represented by a marketing management, and training representative on each island. The representative would coordinate the resources that already exist, applying them to enterprises with growth potential, and bringing to the island from outside regional or US sources the six essential functions not existing on the island. This comprehensive approach to the constraints is absolutely necessary for private sector growth and cannot be implemented by off shore periodic coordinating programs based in either the US or Barbados. The application focus of resources must be island specific and comprehensive.

Such an organization provides each firm participating in the program with a regional network of resources and capabilities in each of the six key function areas of business. The market informational network makes feasible import substitution in those areas not separated by currency and trade restrictive policies, and joins as a productive base firms that are able to negotiate, procure components and deliver larger quantity orders to buyers outside the region.

Management methods and practices can be installed in participating firms by the steady application of consulting and training over time. In fact, certain "packed" managerial business components can be adapted for simple and immediate use by local enterprises. Record keeping and accounting are the most obvious examples.

Technical advise that is immediately applicable can be channeled into similar or parallel businesses as a regular, periodic productivity assistance flow, backed with on site follow up, rather than on a one shot application as is usually the case.

Training can be standardized, repeated, and adjusted to industries or service firms with common operational constraints. These can be offered island by island at various easily accessible locations throughout the region. A correspondence series could be adapted in order to provide continuity, while the island representative could furnish accessible advice and follow up. With such a program training inputs for the enterprise would not be irrelevant or ignored as is often the case.

Finally, the Institute would access a fund that would serve as a guarantee for developmental type loans to be utilized by participants, through island based financial institutions. This provides leverage for the application of other functional improvements in local firms, while keeping the Institute from becoming another financial corporation on the island. As local enterprises develop a track record, the guarantee fund would leverage an increasing percentage of capital from local, regional, and international sources.

D. Operations

The illustrative experience of a sample firm will demonstrate the operation of such an institute.

A Local firm, for example in the agribusiness sector, after discussion with the representative determines that it has the interest and potential to grow. The firm pays a small initial participation fee as an indication of intent to participate. The firm's products for sale are communicated throughout the region to identify existing off island markets, and it is found that there is a market for increased sales, if a few small modifications are made to the product. The local representative than begins a management and production up-grading program designed for this particular client. When this achieves a minimal level of progress (as evidenced by improved management control and information) the representative, with the owner/manager, initiates the application process for securing developmental funding that is necessary for the increased production. With the arrival of the equipment the representative arranges for a short term visit from a technical specialist to supervise installation, start up and training in operation and maintenance. These production activities are a part of a sales and delivery schedule coordinated with other producers in the region, and the representative, along with the firms management, follow up the shipping and delivery details in order to meet shipping targets. Follow up with the arrival of goods and payment of sight drafts or LC is done by the Institute representative's office in the designated island.

In summary, the flow of products, assistance, and money receives appropriate management attention at each threshold in the process.

E. Design and Testing

Though the goal should be a regionally integrated program, the design testing, and start up should be implemented in a series of logical interrelated steps:

Design - To include not only organizational requirements, but also communication, shipping, and payment procedures.

Testing - To include at least two smaller islands, in addition to the regional Institute headquarters and a contact center in the US for sales and procurement functions.

Expansion - To include the planned inclusion of other island operations as the systems are improved and standardized.

The purpose of such an approach is to make the necessary operational corrections at minimal cost.

F. Support

During the initial design and testing phase the Institute would be supported by a SAID contract to a capable group, even though it is anticipated that ther would be some small local income generted by initial participation fees. (The precise sources and amounts of projected income would be identified in the design phase.)

As specific island operations get under way, income sources to the Institute could include: sales commissions, management services fee, training fees, and capital placement fees and commissions. The principal to be maintained is that businesses should both grow and share in the cost of growth (the grant mentality must be resisted).

Whether the Institute could be self sustaining in the medium term rather than the long term is a matter to be determined during the testing phase when operations on individual islands are underway. Clearly, a graduated scale of decreasing USAID support and increasing regionally generated income is both necessary for the businesses being assisted and the proposed Eastern Caribbean Marketing and Management.

V. Agenda of Policy Considerations

Even though Montserrat is traditionally and formally a part of Great Britain, its economic links are with the U.S. Not only is the currency tied to the US dollar, but the flow of people, goods and money is with the US, often, as in the case of shipping, via Puerto Rico. As might be anticipated under the circumstances, there is some resistance among those with remaining economic ties to the U.K. to an increased involvement of US organizations in a very limited market. Because the local government is the recipient of grants from British and Canadian sources, it must adopt a tactfully preferencial stance.

There is some support locally for abolishing the 10% corporate income tax, which could have a beneficial effect on business growth. It is estimated that a 5% raise in import duties would be able to cover the loss in revenues from the 40% tax on net company profit. The company tax as it is presents a collection difficulty, not so much from avoidance, but because of the lack of accounting. Replacing it would remove a disincentive for improved record keeping, and add a further incentive to business expansion.

Closely related to this is the limitation on tax holidays for new enterprises. While the firm itself may receive a tax holiday, the project lender, if it happens to be a local bank for example, does not. In addition, the government has not licensed tax free off shore lending, with the result that the island can not pursue development as a financial and banking center.

Finally, the country has no tax treaty with the U.S.

Appendix 1

Major Projects in Montserrat*

Directly Productive Projects 1982-1986

Project	Agency	Cost (US$ '000)
Abbatoir	U.K. BDO	397
Agriculture: Import Subsidy	U.K. BDO	42
Estates Development (Purchase of Private Est. by Govt.)	U.K. BDO	330
Dairy Project	CIDA	80
Farmer Staff Training Center	U.K. BDO	93
Farm Improvement Center	CDB	250
Tree Crops	U.K. BDO	741
Livestock Development	U.K. BDO	1111
Industrial Estates	CDB	1170
Small Industry Credit	CDB	250
		4464

Economic Infrastructure 1982-1986

Project	Agency	Cost (US$ '000)
St. John's/Tranto Road	EDF	789
	U.K.	554
Airport Resurfacing	U.K.	289
PWD Stores & Equipment	U.K.	57
Harbour Protection	U.K.	741
Little Bay Access Road	U.K.	83
Water Development	EDF	1000
Plant & Equipment (Water)	CIDA	312
Renewal & Distribution of Water Network	CIDA	267
Old People's House	U.K.	333
ANNUAL FUNDS		4425

CIDA AM Mission Administration Fund 50 k Limit Small Projects	DEIMB Expenditures	100 k/year
AID Special Development Assistant 25 K limit per project		75 k/year

* Only spent funds are disb to MSRT.

Appendix 2

Dev. Grant Ets. '84 (Approved)	$EC
BDD	6,695,900
U.K. Training Scheme	220,000
E.D.F.	1,950,000
USAID	270,000
Canadian Mission Adm. funds	230,000
CDB Loans (DEMC)	636,000
UNESCO	7,400
CIDA	1,550,000
Trinidad Aid Council	550,000
U.K. Building Research Est.	30,000
	$EC 12,129,500

REPORT ON THE

SMALL BUSINESSES SURVEYED

IN

ST. KITTS/NEVIS

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Report Outline for St. Kitts/Nevis

I. BACKGROUND & SUMMARY

A. Socio-Economic Setting

Two complementary islands, situated in the northern part of the Leeward Islands, constitute the independent state of St. Kitts/Nevis.

St. Kitts' economy has been dependent on agriculture, with sugar representing its largest crop. Peanuts, coconuts and vegetables are also grown. Nevis also raises sea-island cotton and livestock. Fishing has been a traditional occupation and both islands have developed an industrial sector.

No longer able to depend on sugar, which represents approximately seventy percent of its exports, the state is attempting to diversify and improve its economy. St. Kitts/Nevis imports are double their exports. Light manufacturing and expansion of the existing tourist trade is desirable. Small Business Enterprises are necessary for this industrial expansion.

Unemployment and under-employment is high, more so among those under twenty five. Unfortunately off-island emigration will not offset the increases of entrants into the labor market. Weak national savings, performance and families dependence on remittances from abroad indicate that immediate job creation is urgent.

B. Problems of Small Business Enterprises in the Island

Under-capitalized
Limited Access to Commercial Bank Loans
Limited Trade Credit Line
Absence of Market Environment Data
Insufficient Market
Limitations in Management Expertise
Shortage of Skilled Labor
Size and Location of Business Facility
Inadequate or Obsolete Equipment
Deficiencies at the Ports
Government Bureaucracies

C. Proposed Projects and Ideas

The Government sector of St. Kitts/Nevis has no new proposed projects for the small business sector. At present the government's focus is on the sugar industry. The 1985 crop began on the 21st of January. The trade union has asked for a 25% wage increase. With limited personnel, the government has a concern for small business but not the resources to assist this sector.

The private institutional sector has one new project - the Foundation for National Development scheduled to start operations in March or April of 1985. This institution has been established to provide loans and technical assistance to the micro-businesses in St. Kitts/Nevis.

As an example of small business projects and ideas, consider Gorden's Manufacturing whose business is automotive radiator and exhaust repair. Gordon would like to manufacture the muffler presently purchased from the U.S.A. The muffler would be used in the exhaust systems presently being installed in St. Kitts/Nevis and exported throughout the Eastern Caribbean. Based on the estimated number of registered vehicles in the Eastern Caribbean, there is a market. With the lower shipping cost and lower import tax, within the Eastern Caribbean, the product could be profitable.

D. Importance, Significance and Extent of Local and Country Support

The importance of local and country support cannot be overemphasized. Small business' perception that the business community and the government are indifferent to their needs creates an apathy. Small businesses become reluctant to contribute their knowledge of the business community needs. They boycott business forums and do not volunteer for public service. In short without local and country support, the small businesses contribution to the business community is lost.

At present the most visible support of small businesses are the **Chamber of Industry and Commerce** and the **Small Business Association**. The CIC has structure and staff while the newborn SBA has only a loose alliance of small business persons and no funds and no paid staff. At present, the CIC would like to fold the SBA into the Chamber as it did the Manufacturer's Association.

II. EXISTING SMALL BUSINESS ENTERPRISES (SBE'S)

A. Introduction

For the purpose of this survey the definition includes desired but not exclusive parameters. Enterprises to be considered most likely include:

1. Business with one to ten employees; but it does not exclude those with one owner/manager who does most of the work or the venture that hires 20 full or part time employees.

2. Businesses with total assets under EC $50,000 although it does not exclude the few which may have up to $200,000.

3. Businesses with total sales under EC $100,000 although it does not exclude the few which may have upt to $200,000.

4. Value adding businesses involved in Agribusiness, light manufacturing and services.

For the purpose of this survey, the following are excluded: farming, fishing, professionals and retail shops.

B. Results of Survey

With the assistance of personnel recruited from members of the faculty families of Ross University which is located on St. Kitts, we were able to complete 79 small scale enterprise surveys. We estimate this represents more than half of the agribusiness, light manufacturing and service. If we add back the agriculture and retail shops, our estimate of the number of small business enterprises would be in excess of one thousand, but less than 1200. A previous report estimated these to be 1400.

1. By Industry

Agribusiness		
Animal Farming and Research		1
Bakers and Bakeries		7
Candy Manufacturers		1
Farming and Retail Distribution		
Eggs and Chicken	2	
Florist	2	
Honey	1	
		5
Total Agribusiness		14
Light Manufacturing		
Boat Builder		1
Bottler		1
Crafts		10
Cabinet Makers - Furniture		7
Clothing Manufacturers		4
Concrete Blocks and Tiles		1
Metal Fabricators		2
Printers		3
Radiators and Exhaust Systems		1
Shoe Manufacturers		4
Upholsterers		1
Vulcanizing - Tire and Tubes		2
Total Light Manufacturing		37

Services	
Auto Repair and Service	9
Construction	3
Diving Instruction	1
Food Services	6
Greeting Cards	1
Hair Dressers	1
Hotel/Guest House	1
Laundries	1
Pest Control	1
Photographic Processors	2
Vehicle Rental - Moped, Auto	2
Total Services	28
Summary of Survey	
Agribusiness	14
Light Manufacturing	37
Services	28
Survey Total	79

Note that a list of the 79 small businesses are included at the end of this island report.

As to improvement of credit opportunities for the small businesses, the Foundation for National Development expects to provide two loans totaling EC $6000 during May 1985, three loans totaling EC $10,000 during June 1985, three loans totaling EC $10,000 during July 1985. The total projected loans total EC $110,000 by December 1985 and will be provided to 34 small businesses. This private sector institution should improve the credit opportunities for small micro-businesses. However, technical assistance, particularly in the area of marketing has not been identified in this survey.

C. Conclusions and Observations about SBE's in the Island

The needs of the small business enterprises are not being met. As stated earlier in the report the government has not been able to turn a concern for small business into action. There has been some training, mostly in the area of bookkeeping and business management. There are two loan funds, one funded by the British Development Division on May 1984 in the amount of EC $30,000. It is administered by a Peace Corps volunteer assigned to the St. Kitts Department of Community Affairs. An additional EC $30,000 is expected in April 1985. The Development Fund of St. Kitts/Nevis was unable to provide any examples of current successful projects nor the number of beneficiaries. It does not appear to be servicing the small businesses at the micro end of the scale.

In the private institutional sector, only the Caribbean Conference of Churches appears to have a loan fund which provides

loans at the local level up to $4000 EC. We could not determine the total amount of the present funds available.

D. Needs Not Being Met

1. Perceived acceptance into the structured business community.

The small businesses as represented by the Small Business Association are unwilling to join with the Chamber of Industry and Commerce as individual members. However they would like the SBA to enroll the organization as a single membership. There is still a suspicion that the Chamber is controlled by big business members.

The small businesses need to be assured that their interests will be served by the CIC.

2. Access to marketing data opportunities within the Eastern Caribbean is particularly needed. A free or inexpensive consultant should be made available to provide technical marketing assistance.

3. Better facilities, at a reasonable cost, are not readily available. Nor are long term loans to build or expand existing facilities.

4. Additional or replacement equipment to improve productivity is needed. As an example, one baker hires a taxi to deliver his products. He needs a vehicle.

The small businesses have all the needs of medium and large businesses without the personnel and finances to deal with them.

III. INSTITUTIONAL RESOURCES AVAILABLE TO SBE'S

A. Introduction

Small scale enterprise is a primary requisite to economic development. There can be no growth towards large scale enterprises without first stabilizing the small and medium-sized businesses. Small scale enterprises need as much access, if not more, to the institutional resources now available to medium and large businesses.

B. Descriptions of Institutions

1. On Island - Office located on Island

a. Chamber of Industry and Commerce

This office was created in 1982. It evolved from the Chamber of Commerce formed in 1949 and the Manufacturers Association which was created in 1981. Both still exist and are able to act on their own, as needed. For most purposes the CIC

is the voice of business in St. Kitts/Nevis. There is also a separate but related Chamber in Nevis. The St. Kitts/Nevis CIC is dynamic. Leading business people have made a major commitment of time and funds to CIC.

b. Development Bank

This bank was formed in 1981 to replace the former Development Finance Corporation which ran into serious financial difficulties having operated under considerable political influence. They had extended high risk loans without proper security. The Development Bank now struggles to overcome the DFC legacy.

c. Foundation for National Development

This St. Kitts/Nevis foundation is being established to provide loans and technical assistance to microbusinesses. The first meeting of the board of trustees was on November 19, 1984. The official launching is slated for the end of February 1985.

d. Manufacaturer's Association

The Manufacturer's Association provides seminars on specific technical and management skills all aimed at the promotion of industry.

e. Project Development Assistance Program

This program provides professional advice and assistance to businesses considering a location on St. Kitts/Nevis.

f. Small Business Association

The SBA was formed with the following objects in mind:

1. To form an association independent of the Chamber of Commerce.

2. To work on projects of common interest.

3. To present a collective voice on all matters, Government or otherwise which affect the small business sector.

4. To solicit funds to enable members to receive appropriate training in St. Kitts or abroad.

The SBA has 2-3 active movers out of perhaps 20-25 semi-active members. The Association seemed ready to get into high gear in January of 1984. However, interest ebbed as members and potential members sensed no immediate personal benefit.

Unless more members are willing to donate time to the organization there is little hope that it will develop into a viable entity.

Ideally, as in the case of the Chamber of Commerce, members subscriptions would go in part to employing a permanent full time staff. Considering the limited financial resources of the SBA membership, this does not appear to be feasible.

2. Other Institutions - Offices not on Island

a. British Development Division

BDD sponsored a revolving loan fund to the St. Kitts/Nevis Department of Community Affairs in May of 1984 in the amount of EC $30,000 for microbusinesses. The office is administered by a Peace Corps volunteer. An additional EC $30,000 in funds are expected in April 1985.

b. Canadian International Development Agency

CIDA co-sponsored a training awards project to the St. Kitts/Nevis Establishment Division. On October 15, 1984, 56 persons graduated from a basic accounting course.

c. Caribbean Assocation of Industry and Commerce

CAIC provides expertise and broker services to the Chamber of Commerce. It is involved in organizational affairs, business-government relations, training, economic development, technical assistance/research and data collection. CAIC has successfully promoted the private sector image in the Eastern Caribbean.

d. Caribbean Conservation Association

CCA is concerned with environment protection and land use. With a EC $46,000 Inter-American Foundation grant CCA has undertaken a fisheries training program for small fishing cooperatives to strengthen the individual producer.

e. Caribbean Conference of Churches

CCC operates through local committees to provide financial assistance to small industries and crafts. On given projects they have paid for management consultants.

f. Pan American Development Foundation

PADF has provided funds for loans to small business enterprises, technical assistance and training services.

g. Women and Development: National Council of Women's Voluntary Organizations

This organization was helped by a grant from the Canadian Government. The women in this organization, headed by Ms. Margret Patrick, opened a business named "Learn to Earn" which gave part-time employment to 8-13 women. They produced crafts and preserves which they marketed to the public. The business hopes to relaunch soon.

The Business & Professional Women's Club of St. Kitts
President: Agness Skerritt
Purpose: To help women help themselves

Started: 1920's in the United States, became national, England, Scotland, eventually to Trinidad and in 1975 a woman from Trinidad started the St. Kitts chapter. They have many charity functions:

- Mobile library for children
- Pay for books for children
- Lunches for children
- Help with day care centers
- Christmas gifts to hospitals

Members: 35, active with 25% currently unemployed

National Council of Women
President: Anne Liburd
Purpose: Bring women into the mainstream of business
Goal: The women currently want to fund the producing of pepper sauce on St. Kitts. This product is presently being imported from Trinidad.

Young Women's Christian Association
St. Kitts
President: Maureen Edwards
Goal: Hope to work out the problems of the YWCA including a place to meet and funds.

Minister of Women's Affairs
St. Kitts
President: Constance Mitcham
Purpose: To help women in business with financing, T/A marketing and other aspects that could keep women from the job market in St. Kitts.

Women's Voluntary Services
President: Anne Jacobs

This group of women are trying to raise funds for the expansion of a home for the elderly of St. Kitts. They also provide meals for the needy elderly.

3. By Type of Resources

a. T.A.

Chamber of Industry and Commerce
Foundation for National Development
Project Development Assistance Program
Caribbean Assocation of Industry and Commerce
Caribbean Conference of Churches
Pan American Development Foundation

b. Training

Chamber of Industry and Commerce
Development Bank
Manufacturer's Association
Caribbean Association of Industry and Development
Caribbean Conservation Association
Pan American Development Foundation
Women and Development

c. Credit

Development Bank
Foundation for National Development
British Development Division
Canadian International Development Agency
Caribbean Conference of Churches
Pan American Development Foundation

d. Other Services

Chamber of Industry and Commerce
Small Business Association
Caribbean Association of Industry and Commerce
Women and Development

C. Observations About Institutional Capabilities, Resources, and Needs in Relation to SBE's

The Chamber of Industry and Commerce seems, at the present, to be the private sector initiator of activity directed toward the needs of the small business enterprises. They have collaborated with the private sector and government to provide training. With the establishment of the Foundation for National Development Agency, scheduled to begin operation in February or March 1985, technical assistance and loans could be made available to small business enterprises. Hopefully, this will assist the Development Bank, whose mandate includes the larger members of small business, to provide an adequate loan source. The Project Development Assistance Program is well structured but is directed toward larger off shore investors who can provide immediate employment to large numbers of people. The Small Business Association, whose membership is small, does not have a

paid staff to provide the day to day services. They are still in the very early stages of development. There seems to be very little activity at the Manufacturers Association. In summary, there are institutions in place on St. Kitts/Nevis that could handle the problems of thge small business enterprise. However, they do not have the financial resources to provide high risk loans, nor do they have adequate staff with the varied technical skills necessary to provide Technical Assistance. Loans and TA seem to be going to the better established small and medium-sized businesses. Here, the financial risk and utilization of staff, time and resouces are more rewarding. The small business enterprise need seems to have been overlooked in the rush to entice off-shore investors with immediate jobs in large numbers.

D. Untapped Resources

Sugar production has shown a steady decline. Little of land used for sugar has been re-allocated. An estimated 2000 acres could be used for other agriculture products. A substantial portion of food that is being imported could be produced on St. Kitts. Better use of the land would provide employment and reduce the import cost of food.

Tourism would improve if the quality of the retail shops and the appearance of Basseterre were enhanced. A shopping area for tourists, centered around Pall Mall Square, now called Independence Square, would be a restoration project worth consideration. Most of the three block area surrounding the square would improve dramatically with minor structural repairs and fresh paint. The buildings' facades could be restored to an earlier period to provide a charm appealing to the tourist.

St. Kitts/Nevis needs to pursue a better mix of agriculture, tourism, and industry--less sugar, and more produce in the area of agriculture. More long term concern with the small local businesses will, in the long term, provide the job market necessary to absorb the increasing number of new entrants into the world of work.

IV. SMALL BUSINESS ENTERPRISE OPPORTUNITIES

A. Introduction (Souces of SBE opportunities, how identified, etc.)

Comparing the type of business opportunities, within the capability of the small business enterprises, with the needs of St. Kitts-Nevis and the Eastern Caribbean, the following businesses should be explored.

B. Opportunities

Aggregate Suppliers
Aluminum Fabricators
Aluminum Products

Automobile Undercoating and Rustproofing
Awnings, Canopies and Sailmaking
Building Cleaning-Exterior
Cabinet Makers
Candle Manufacturing
Candy and Confectionery Manufacturing
Ceramic Products
Chair Manufacturing
Cigar Manufacturing
Courier Services
Debt Collecting
Doors and Door Frame Manufacturing
Embroidery
Furniture Manufacturing
Galvanized Products
Hurricane Shutters
Painting and Decorating Contracting
Picture Frames
Poultry Farms
Roofing Contractors
Rust Proofing
Sandblasting
Security Guard and Patrol Service
Shelving
Toy Manufacturing
Uniform Manufacturing and Supplies
Warehousing and Storage
Windows and Window Frame Manufacturing

V. IMPEDIMENTS TO SBE GROWTH

1. Technical Skills

Unless the small business person has lived and worked off island, the concept of the skill level required to produce the product or service is limited to the training and role models available on St. Kitts/Nevis. This results in a limited concept of quality control and acceptance of a less than perfect end product. There are little opportunities to learn marketing skills necessary to expand a business into the Eastern Caribbean and world market. A lack of administrative and financial skill, limits the long range planning and growth. Most activity is the day to day operation of the business.

2. Market for the Product or Service

St. Kitts/Nevis with a total population of under 45,000 provides a very small and uneven demand for most products and services. Communications, marketing, transportation, import taxes and paperwork for each purchase from the USA and the other Eastern Caribbean islands, increases cost and makes demands on the limited small business personnel. Export information, as to the available market outside of St. Kitts/Nevis, is difficult to obtain. The population of the Eastern Caribbean, estimated at

800,000 is also a small market for any volume product. The access to the United States market is the ultimate key to growth of a small manufacturing business.

Encouragement

Business success is based on bottom line profit and although medium and large island businesses express a concern for the needs of the small businesses, they do not intend to create a competitor that could, someday, restrict their own growth. It is naive to expect more than words and some financial contributions to business community service organizations from medium and large business on St. Kitts-Nevis. This leaves the government the responsibility for encouraging small businesses to grow and prosper. An absence of actions on the part of government to ease the effort and cost of licensing; to reduce the time and import tax of small business imports; to establish a list of items to be purchased from only small business; to provide land and infrastructure; is a substantial impediment to small business growth.

Financial Resources

Most of the small businesses on St. Kitts-Nevis start with little or no personal investment, resulting in a continued cash flow problem. The need to withdraw funds for the day to day personal expenses, compounds the cash flow problems, and limits growth. The absence of credit necessitates inadequate facilities and obsolete equipment. The time necessary to grow is extended, when all financial resources must come from earnings of the business, after withdrawals for personal and family needs. Businesses would expand and prosper if long term and working capital loans were made available without consideration of "one hundred percent plus collateral."

VI. RECOMMENDATIONS AND STRATEGIES

A. There is a need for one person with proper staff support to concern themselves with problems of small business enterprise. This person could be employed by the Chamber of Industry and Commerce or the newly formed Foundation for National Development.

The first activity could be directed toward identifying and locating all the small business enterprises presently operating in St. Kitts/Nevis. Based on this survey it is estimated that there could be one hundred and seventy-five persons engaged in agribusiness, light manufacturing and services. When one adds shopkeepers, agriculture, and fishing, a considerable number of enterprises are found. The second activity, which would parallel the first, would be to familiarize the small business enterprise with the services to be offered along with any limitations involved. The third activity would be to provide result oriented technical services that solve a problem.

The areas of technical service could include:

Accounting
Financial
Management
Marketing
Funds Search

There is a need for loan packaging, but that in itself is a full time job. An alternative approach would be to provide startup funds to the St. Kitts/Nevis Small Business Association, which would require the same personnel as the prior plan. But, in addition, it would also require funds for facilities, furniture and equipment. The additional cost could be justified in the knowledge that a small business association would assure the focus on its membership, the Small Business Enterprises.

B. There is a need for one person to specialize and be concerned only with loan packaging for the small business enterprise. A professionally prepared loan package with a business paln has a much better chance for bank approval.

C. There is a need for a Venture Development Organization to joint venture with the small business dnterprise in providing capital investment for facilities and equipment as well as loans to be used as operating capital. This would only appeal to the small business enterprise if the original agreement included a buy-back agreement to permit the owner-operator of the small business enterprise, once again, to own the business. He or she would be responsible for the day to day operating of the expanded business while the Venture Development Organization would provide technical assistance as well as fiscal control.

Such a Venture Development Corporation would require initial funding, but at some point would be self-sufficient by operating on profit from the ventures and interest on the loans. Buy-outs by original owners would provide funds for new venture opportunities.

D. There is a need for a loan guarantee program to entice banks to provide loans to small business enterprises that have good potential but lack strong collateral. This program could located on or off island and deal directly with the banking community.

VII. New Business Start-Up Procedure

A. Local person wanting to start a small business:

1. Apply--Fill out application following the Licensing on Businesses and Occupation Act of 1972

2. Pay license fee--Rate figured by type of business. See attached form.

3. Wait and see--Must be approved by government.

4. Locals pay no tax except Social Security Tax

5. Loans--No tax, just interest rates, etc.

6. Employee pays 5% of wages for Social Security

7. Employer pays 5% of wages for Social Security

B. Alien wanting to start a small business:

1. Apply--Same

2. Same

3. Same--More time should be expected for aliens

4. Aliens Tax Applies:

a. Companies (small or big) have an incentive to come to St. Kitts/Nevis so they don't pay taxes for a given period. This period is usally to be a 10 to 15 year tax holiday, which when completed obligates the company to pay a 50% on all profits.

b. The company, if it does not send money out of St. Kitts/Nevis, has no tax levied on administration, management, head office expenses and technical service fees such as accounting and audit expenses.

c. If money is to be sent out of St. Kitts/Nevis, the business must pay 10% of all such fees each year. Alien employees pay 20% tax per year plus a work permit fee of EC$ 750 per year.

d. Loans: aliens do pay interest rates, but in addition, a 2 1/2% alien tax is applied to the full amount of the loan.

ST KITTS-NEVIS SMALL BUSINESS ENTERPRISES
TOTAL OF SEVENTY NINE (79)

File: ADDRESSES.
Report: SECOND ADDRESSES

NAME/ADDRESS	BUSINESS	PHONE	MANAGER
CARIBBEES HONEY PO BOX 238, BASS	TROPICAL HONEY	2176	RALPH VANIER
// FRANKS METAL CRAFT PO BOX 218, PIS	GATES,GRILLS	3209,2700	STANLEY FRANKS
// ST KITTS BOAT BLDG PO BOX 342, BASS	CUSTOM BOATS	2897	PHILIP WALWYN DAVID STEINER
// CRAFTS HOUSE PO BOX 183, BASS	LOCAL CRAFTS	3241	MR. PARKER
// GLIMBARO INTNL PEST CONTROL POBOX 367, PIS	PEST CONTROL	2250	LINCOLN HAZELL
// OLGAS SANDAL SHOP 63 MARKET ST, BASS	LEATHERGOODS	NONE	RUDOLPH BLANCHARD
// WELCOME ENT. MANSON VILLAGE, SK	AUTO MARINE ELECTRONICS	7252	GEORGE WELCOME
// EVELYN'S CONSTR. PO BOX 367, PIS	CONTRUCTION	2250	ANTHONY EVELYN
// THE LITTLE LION DEN SANDY POINT, SK	CUSTOM TAILORING	NONE	ST. CLAIR CHRISTO
// HANLEY VULCANIZING HALF WAY TREE, SK	VULCANIZING TIRE TUBES	NONE	JOHN HANLEY
// WOODLEY FURN. SHOP SANDY POINT, SK	CARPENTER	NONE	SAMUEL WOODLEY
// TANGO'S SHOE STORE SANDY POINT, SK	SHOEMAKER	NONE	ROBERTO HOLLOMAN
// SUMMERSON'S FURN. SHOP SANDY POINT, SK	FURNITURE	NONE	ALLEN SUMMERSON
// ABBOTT'S CRAFTS 82 CENTRAL ST, SK	SHELL CRAFTS	NONE	CONSTANCE ABBOTT
// MIRACLE CRAFTS 10 THOMPSON ST, BAS	SHELL WORK CROQUET	NONE	KATHLEEN WILSON
// CHARMEY'S CAFE. ROSS UNIVERSITY, SK	FOOD SERVICE	NONE	CHARMEY MABLE

File: ADDRESSES.
Report: ADDRESSES

NAME/ADDRESS	BUSINESS	PHONE	MANAGER
WARNER'S CONFECTIONERY ROSEMARY LN. BASS.	SWEETS	NONE	MRS. WARNER
WINNIES FLOWER SHOP CAYON ST. BASS.	FLORIST	NONE	WINIFRED MORGAN
ST. KITTS ROSE CO. NEW POND SITE BASS.	ROSE GROWERS	4190	JAMES COLPRIT
KELLY SHOES SEMPER ST. NEWTOWN S.K.	MGG. & REPAIR	NONE	WREXHAM KELLY
SEATON SHOEMAKER SHOP LOIACK RD BASS.	REPAIR ONLY	NONE	GEORGE SEATON
LIBURDS SHOE REPAIR NEWTOWN S.K.	MFG. & REPAIR	NONE	RAPHAEL LIBURD
ZACKS LEATHER CRAFT DORSET VILL. S.K.	LEATHERCRAFT	NONE	WINSTON NISBETT
NORMAN BROWN LODGE VILL. S.K.	BODY SHOP	NONE	NORMAN BROWN
WILLIAM JOHNSON TABERNACLE S.K.	BASKETMAKER	NONE	WILLIAM JOHNSON
CUSTOM UPHOLSTRY OLD ROAD S.K.	UPHOLSTRY	NONE	HARRINGTON BRISTOL
GORDON'S MFG. BAY ROAD, BASS	RADIATOR/EXHAUST REPAIR	4156	FRANK GORDON
CATERING PARSONS VILL, SK	CATERER	NONE	LYNN WILLIAMS
HARVEY FURN. 30 SHEAR LN, BASS	FURN. MFG.	NONE	C. HARVEY
FULTON'S BAKERY GEORGE ST, BASS	BAKER	2940	MR. FULTON
GRANT'S LEATHER WORKS CENTRAL ST, BASS	LEATHERGOODS	NONE	VINCENT GRANT
ARHTUR MATTHEW CHALLENGERS, SK	BAKER	NONE	SAME
BODY SHOP CHALLENGERS, SK	AUTO BODY REP.	NONE	EDWIN JAMES
TRANS-CITY MIDDLE ISLAND, SK	ELECTRONICS REFRIGERATION	6319	JOSE OTTLEY

File: ADDRESSES.
Report: ADDRESSES

NAME/ADDRESS	BUSINESS	PHONE	MANAGER
BROWNE AND SONS BAKERY CENTRAL ST, BASS	BAKERS	2776	VALENTINE BROWNE
// J'S PLACE SANDY POINT S.K.	REST./BAR/DISCO	6264	JOHN SAUNDERS
// NIGEL FYFIELD OLD ROAD S.K.	CARPENTRY & FURNITURE MFG.	NONE	NIGEL FYFIELD
// SPRINGFIELD EGGS SIR GILLIES EST. S.K.	EGGS/CHICKENS	6200	WARRINGTON GRANT
// CAINES BAKERY ST. PAULS S.K.	BAKERY	6306	ROOSEVELT CAINES
// BERTRAN DANIELS DIEPPE BAY	CRAFTS	7259	BERTRAN DANIELS
// IVAN PAYNE DIEPPE BAY	BODY SHOP	NONE	IVAN PAYNE
// AUGUS CAINES BAY			
// // // WALCO'S GARAGE BOX 85, C/T	AUTO SERVICE	5398	HAROLD WALTERS
// NEVIS BOTTLE CO. FARM ESTATE NEVIS	BOTTLE "POP"	5319	HUGHBERT BRAND
// NEVIS BAKERY C/T NEVIS	BAKER	5219	HUGHBERT BRAND
// CARBEI CLOTHES PO BOX 498, C/T	CLOTHING MFG.	5217	RBW RRIPTODE
// NEVIS CRAFT HOUSE PINNEYS RD, C/T	CRAFTS	5505	HUGH THOMAS
// HUNKINS FURN. PO BOX 196, C/T	FURN. MFG.	NONE	SAMUEL HUNKINS
// BVM REST. MAINSTREET, C/T	REST./CATERING	NONE	BERNADETTE LEWIS

File: ADDRESSES.
Report: ADDRESSES

NAME/ADDRESS	BUSINESS	PHONE	MANAGER
GRENDALE FASHION CENTRAL ST, BASS	DRESSMAKING	2644	MILLICENT HENDRICKSON
FRAITES AND SONS PO BOX 155, BASS	BAKERY	7221	ISA FRAITES
CREOLE GRAPHICS PO BOX 83, BASS	PRINTERS	4138	FRANK CHARMAN
CARIBBEAN CRAFT STUDIOS PO BOX 85, BASS	GREETING CARDS	NONE	ANTON MILLER
S&B TWEEDE GARAGE PIS	MECHANICS, RENTALS	4153	SYLVESTER TWEEDE
KENNETHS DIVE CENTER BAY ROAD, BASS	DIVING	NONE	KENNETH SAMUEL
JEFFERS METAL CRAFT PIS	METAL WORKS	4120	ARTHUR JEFFERS
CHARLES GANNETTE TABERNACLE, SK	MIXED FARMING	7248	CHARLES GANNETTE
SALTER BAKERY OTTLEY'S, SK	BAKERY	NONE	IRA SALTER
HALVA CRAFT TABERNACLE, SK	LOCAL CRAFT AND SEWING	7315	ALVA CARR
ISAAC GARAGE MOLINEAU, SK	BODY/ENGINE REPPAIR	7274	TERRANCE ISAAC
BRAWLIA GLASSFORD MANSION, SK	DRESSMAKER	NONE	BRAWLIA GLASSFORD
ISLAND MOPED AND AUTO ENT. SPROUT ST, BASS	SALES, SERVICE, RENTALS	2405	CALVIN NICHOLLS
CALVIN BROWNE CAYON VILLAGE, SK	MECHANIC	7366	CALVIN BROWNE
OFFSET COMMERCIAL PRINTE P.O. BOX 338 BASS	PRINTING/COPYING	2716	AUSTIN ARMONY
SANITARY LAUNDRY FORT ST. BASS.	LAUNDRY SERVICE	2102	CLARENCE LLOYD

NAME/ADDRESS	BUSINESS	PHONE	MANAGER
//			
FARVIEW INN ✓ PO BOX 212, BASS	MOTEL/REST.	2472-3	FRED LAM
//			
TERRY PRINTING ✓ SOHO VILL, BASS	PRINTER	NONE	TERRY COLLINS
//			
BASS CATERING ✓ PIS	CATERER	2258	EARLE BASS
//			
CRAFT INTNL ✓ NEWTON GROUND, SK	FURN. MFG/REP.	NONE	LIVINGSTON JULIUS
//			
CENTRAL PHOTO STUDIO ✓ MARKET ST, BASS	PHOTOS/DEVELOPING	3273	JAMES BATTICE
//			
WILLETT'S PHOTO ✓ CAYON ST, BASS	PHOTOS/DEVELOPING	NONE	MR. WILLETT
//			
T&T PLUMBING ✓ GREENSLAND	PLUMBING/BOTTLED GAS	4180	WILLIAM THOMBSON ROOSEVELT TROTMAN
//			
CAYON TILES ✓ CAYON SITE, BASS	CLAY TILES/BLOCKS	2288	EUGENE GASKIN
~~NEWCASTLE POTTERY~~ ? ~~NEWCASTLE, NEVIS~~	~~POTTERY~~	~~NONE~~	~~ALMENA CORNELIUS~~
//			
HILLS JOINER SHOP ✓ MORNINGSTAR, NEVIS	FURN. MFG.	5460	PARTFIELD HILL
//			
BEAUTY NEST ✓ C/T	HAIR STYLIST	5510	HILDA LAWRENCE
CARIBBEAN PRIMATES	PRIMATES FOR RESEARCH	2247	FRANK ERVIN MD
LEARN TO EARN	FOOD PROCESSING	7356	MARGARET PATRICK
WEBSTER'S GARAGE	TIRE RETREADING	2132	WILLIAM WEBSTER
GH WELCOME ENTERPRISES	MARINE ELECTRONICS	7252	GEORGE H. WELCOME
HYLIGER+HYLIGER	CONSTRUCTION	6385	O. HYLIGER

SUMMARY

1. AGRIBUSINESS	14
2. LIGHT MANUFACTURING	37
3. SERVICES	28
TOTAL	79

CIC/001/85

24th January, 1985.

Mr. D. O'Connor,
Partnership for Productivity International,
c/o St. Kitts Nevis Chamber of Industry & Commerce.

Dear Dan,

I apologise for the delay in writing. Please find enclosed copy of recent speech by Dr. Simmonds, Prime Minister, dealing with the difficulties of the current state of affairs of the sugar industry and the virtually murderous blow of the U.S. quota reduction.

As discerned, there is strong disappointment over the reduction which is tiny in the world or U.S.A. scale, but monumental in the local scale. Distressingly, this appears paradoxical as recent U.S. Government official concern for the tiny Caribbean economies, particularly a highly publicised effort to stimulate and derive benefits from the C.B.I.

This dilemma causes untold confusion and mistrust among the local populace and immediately affects local trade prospects, generally casting a gloomy shadow on the local economy. It is particularly disconcerting to the small local businessman whose strength relies mainly on local spending power - in this arena the placing of scant capital resource into risky diversification/new ventures is highly unlikely.

Your research into and resulting concern for the small business operation and projects will undoubtedly have made you aware of the above remarks of which the Chamber is painfully aware and seeking means to keep the economy active. We hope you will be a position to make strong recommendations which will result in encouraging development of the local effort.

Yours sincerely,
ST. KITTS NEVIS CHAMBER OF INDUSTRY & COMMERCE

H. N. McEachrane,
Chairman - Economic Affairs Committee

HNME/as

THERE ARE BRIGHTER DAYS AHEAD FOR OUR SUGAR INDUSTRY

SO SAYS THE RT. HON. DR. KENNEDY SIMMONDS, PRIME MINISTER OF ST. KITTS & NEVIS IN A BROADCAST TO THE NATION ON THE START OF THE 1985 SUGAR CROP.

(Full Text Below)

I address you tonight on the most important subject of the 1985 Sugar Crop. We look towards the 1985 sugar harvest at a time of extreme depression in the Sugar Industry worldwide, and of great economic difficulties being experienced by small nations in our region and indeed throughout the world.

The fluctuating fortunes of sugar are well known to each and every one of you.

1. The World Market Price was so favourable in the 1970's that the Government of the day turned its back on our traditional buyers who kept our Industry afloat, to seek supposedly greener pastures elsewhere. Today that World Market Price is at its lowest point - 5¢US per lb.

2. The Pound Sterling for which we used to get $6.00 EC in 1980 sank to its lowest level of $2.99 this week, on Tuesday 15th January, 1985

3. The disastrous trend in the fortunes of sugar has culminated recently in a 25% reduction of the quota which we are permitted to sell into the U.S.A. Instead of being able to sell 16,000 tons at a price of 18¢ U.S. per lb we are only permitted to sell 12,000 tons. This will result in a net loss of almost 5 Million Dollars to the Industry.

4. NACO has never made one cent of profit since it was started in 1975, and the continued extraction of the Sugar Levy by the Administration prior to 1980 relored to sink the Corporation deeper into debt. That debt is still ever present. NACO does not have money, it owes money. The SSMC does not have money, it owes money.

It is ironic that the same people who raped the Sugar Industry and left it desolate should now be claiming that it should extract BLOOD from STONE and pay fantastic increases.

THE SPECIAL FUNDS

In May, it was agreed by Government, NACO, SSMC and the St. Kitts Nevis Trades and Labour Union that the Industry, definitely could not afford any increases, and therefore 3 Million Dollars should be withdrawn from The Special Funds to pay certain increases in wages and bonuses. Afterwards the same Union turned around and asked where the money had gone and who gave authority to remove the monz, from the Funds.

The reason for using those Funds then was because there was no money available from any other source. Now that we have drawn the water we cannot go back to the same well. Let me say further that what is left cannot be considered in the context of paying increases. It may be needed merely, to keep the wage levels where they are now.

In all this adversity facing the Sugar Industry, my Government has performed miracles of every kind in order to preserve your jobs in this troubled Industry. OUR PHILOSOPHY, REPEATED TIME AND OFT, HAS BEEN, WHEN THERE WAS PLENTY WE GAVE GENEROUSLY, AND ASKED YOU TO REMEMBER. SO THAT WHEN THERE WOULD BE LITTLE, YOU WOULD UNDERSTAND AND WORK WILLINGLY TO PRESERVE BOTH YOUR JOBS AND THE INDUSTRY FOR BETTER TIMES WHICH WILL SURELY COME.

COST OF LIVING

In the meantime, my Government has been doing everything in its power to keep the cost of living under control. We are happy to remind you that in recent times we have seen price reductions in some significant items:

On 15th January 1985: GASOLENE was reduced from $4.69 per gallon to $4.59 per gallon. KEROSENE was reduced from $3.61 per gallon to $3.56 per gallon. LPG or COOKING GAS was reduced from $114.29 for 100 lb cylinder to $109.86 and 20 lb cylinder from $22.86 to $21.97.

In February 1984 a large tin of MILK was reduced from $1.35 to $1.20 and a further reduction is expected later this year.

On 21st November 1984 The price of CEMENT was reduced from $16.55 per bag to $13.15 per bag. The latter of course would assist greatly in reducing the cost of building and repairing.

You can be assured that wherever it is possible Government will endeavour to pass on price reductions to you, the Consumers.

FINANCIALLY IMPOSSIBLE

In respect of the 1985 Crop. The St. Kitts Nevis Trades and Labour Union asked for a 35% increase in wages, plus increases in all the Bonuses which were paid in 1984. Every Sugar Worker and moreover, every Citizen knows that with the Sugar Industry here and worldwide facing such depression it is financially impossible even to entertain such a request.

NACO and SSMC had no choice but to deny such a request from The Trades and Labour Union and the matter was referred to the Labour Commissioner who, unable to resolve the issue referred it to the Minister of Labour. The Minister gave the commitment that in spite of the grave financial situation of the Industry there would be no reduction in wages as the Government was prepared to ensure that the 1984 level of wages and bonuses would be maintained. The Union Representatives welcomed this assurance, and we should therefore be able to start the 1985 Crop in complete accord.

NO MONEY

To be perfectly frank, NACO and SSMC have no money even to start the Crop. However, as we have done in the past, the Government will ensure that the Crop can start and proceed to a successful conclusion, so that you can get work, and money to feed your families. There is no money available for any increase in wages or Goat Water this year. Last year's Goat Water was paid from money borrowed from the Republic of China. That money has to be repaid. However, the Government is prepared to guarantee your wages at the same level as 1984. We will also maintain the incentive bonus of $1.00 per ton as before. You will receive, as before, the 3% End Of Crop Bonus, the 3½% Dull Season Bonus, and a 7% Christmas Bonus.

11 MILLION DOLLARS

This package will cost us close to 11 Million Dollars, when you consider that the total Budget to run the whole country for the entire year, including providing Water, Electricity, Telephones, Roads, Schools, Health and Sanitation Services, paying Civil Servants and other Workers, all of that is 55M Million Dollars, and the Budget for paying Sugar Workers alone is 11 Million Dollars, then you can see that Sugar Workers are highly regarded and have been well provided for in the context of our resources and total economy.

The 1985 Crop will start on Monday 21st January. Let me stress that it is absolutely essential that the Crop gets an early and effective start this year. Easter comes on the 7th April i.e. earlier than last year. It is in the best interests of all of us that most of the Crop be reaped before Easter. You are aware that the longer the cane remains in the field, the less sugar it yields and the greater are the losses. Your jobs depend on keeping those losses to a minimum. You know also that you can increase your individual earnings by working harder and increasing your level of production.

BRIGHTER DAYS AHEAD

Let me assure you that THERE ARE BRIGHTER DAYS AHEAD FOR OUR SUGAR INDUSTRY. We have signed Agreements for the establishment of an Alcohol Factory and for the production of electricity on a National scale from Bagasse. These two projects which use by-products of sugar will therefore help to improve the revenue of the existing Sugar Industry. In addition, as you were told during the Budget Address, we are putting in motion a long-term Plan for the rehabilitation of the Industry. Finally, our Programme of opening new Agricultural Land, and providing assistance to Farmers will continue to provide you with additional opportunities to increase your earning power.

Let me remind you - the Crop will start on Monday 21st January. Your wages will NOT be reduced but will be at the same rate as 1984. In addition you will continue to receive -

- Incentive Bonus for cane cut after Easter
- 3% End Of Crop Bonus
- 3½% Dull Season Bonus
- 7% Christmas Bonus.

Fellow Citizens, when there was much, we gave generously. Now there is nothing, we still manage to find a way to provide you with a livelihood. There is money to be earned for yourselves, there is an Industry to be preserved for your children, and there is a Nation to be built for future generations. The Nation is ours. Let us build and preserve it. GOD BLESS YOU.

CELEBRATE PAM'S 20TH ANNIVERSARY...
27TH JAN – 10TH FEB.

February, 1982

SMALL BUSINESS LOAN PROGRAMME

Objectives

This is a self-sustaining lending programme, designed to assist small business people who have no other avenue to seek needed capital. The objectives are to strengthen this neglected, yet vital segment of the private sector, to generate jobs, promote self-sufficiency, and thereby aid [illegible] lopment.

It is proposed that:

1. $[illegible] placed into the initial loan pool.

2. Up to five (5) applicants be granted low interest loans with an initial ceiling of $5,000 each and that other applicants be considered as the loan fund is replenished (i.e. a revolving fund).

3. A committee of three be established to oversee the lending programme. One will be from the Small Business Community, one from the Department of Community Affairs, and one, preferably a retired business man, from the local populace.

4. The committee be governed by agreed upon by-laws, but will have discretion to amend the by-laws and consider exceptional circumstances in administering the loan programme.

Preference will be given to those who:

1. Are unable to obtain commercial loans due to insufficient credit history.

2. Have undergone training courses in small business management and demonstrate a willingness to keep records and receive guidance.

3. Are of demonstrated high moral character and responsibility.

4. Who will use the funding to generate employment and/or aid their community.

5. Applicants who have been in business for a set period of time.

Other criteria which might be [illegible] a willingness to:

1. Repay by providing (a) a co-signer or (b) collateral

2. Commit a percentage of their loan to either a business cheque account or savings account.

3. A willingness to undergo ongoing counselling in their small business operation.

sinesses seeking loans and benefits derived from the

MANUFACTURING

1. A producer of handcrafts has applied for a loan in order to buy more raw materials and to step up production to meet demands generated by increased tourism. He would also like to explore outside markets for his and similar businesses.

2. A sandal maker of five years standing needs $3,500 to purchase a sewing machine and raw materials, as he cannot begin to meet the demand for his products at present production levels.

BENEFITS:

A. Increased volume for producers of raw materials.

B. Increased income and viability for the proprietors and their families.

C. More jobs are generated.

D. Balance of payments will be aided by foreign purchases, and consumers buying locally.

E. Secondary benefits will accrue to the community with decreased unemployment and increased money supply circulating to aid other businesses and families.

SERVICE

3. An owner of a rental shop catering to tourists (with moped and bicycle rentals) desires a location more frequented by visitors and enlarged space to handle more rental units. A preliminary feasibility study justifies his belief that a more desirable location and increased number of vehicles can be absorbed by demand. He also would utilise the space to repair local cars and motorcycles.

4. An owner of an upholstery business needs capital to purchase raw materials and equipment, and to train more employees. He is willing to take an apprentices, train them, and meet part of the cost of training.

BENEFITS

A. Increased employment, especially in the skilled sector (mechanics, upholsterers)

B. A more favourable tourist image and increase in tourist spending (vehicle rentals).

C. Local consumers have a more readily available market for their needs (upholstery, vehicle repair).

RETAIL

5. A group of six females living in the country have a fruit preservation business, but require kitchen facilities, sterilizers, containers and appliances and utensils in order to expand, become economically viable.

6. A baker/grocer in Dieppe Bay wants to increase his inventory to better serve his neighbourhood, and purchase a delivery vehicle to

BENEFITS

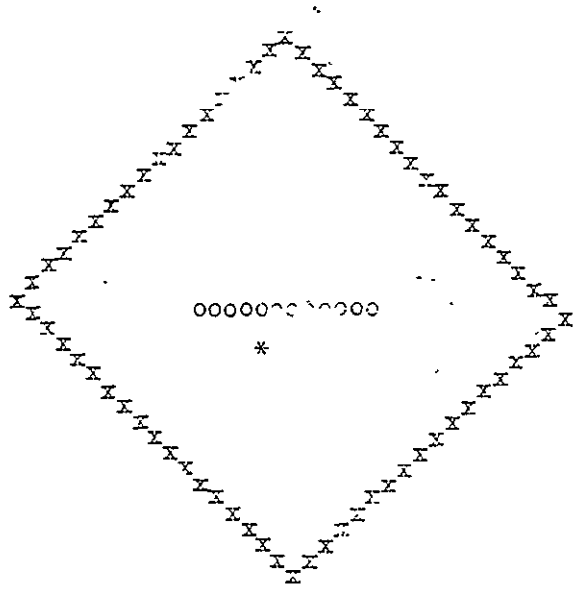
A. More employment opportunities

B. Better [illegible] consumer products for rural residents.

C. Fruit preservation is compatible to agricultural diversification. Raw materials need not rot on the ground, and fewer food imports are required.

CONCLUSION

The emphasis of the lending policy will be to reduce unemployment, raise social and economic opportunities in the communities, and thus serve to contribute to the nation's goal of self-sufficiency and community development.



LABOUR IN ST. KITTS/NEVIS

Availability and Types of Labour:

St. Kitts-Nevis has alarge supply of adaptable, trainable labour, many who possess a high degree of manual dexterity. The technical education and training needs of the State are served by the St. Kitts Technical College. The main courses offered include: plumbing, electrical installation, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, shorthand, typing and basic hotel work.

The size of the total labour force is approximately 20,000. Total employment by sector is distributed as follows:

Agriculture	49.8%
Industry	29.9%
Services	20.4%

Minimum Wages:

St. Kitts has minimum wage laws for two categories of employees, domestic servants and employees of retail shops. The schedule is as follows:

Occupation	Minimum Wage (U.S. Dollars)
Domestic Servants (full time)	$0.56 per hour (minimum of $20.37 per week)
Domestic Servants (part time)	$0.61 per hour (minimum of $16.67 per week)

Retail Employees

Shop Assistants	$29.63 per week
Student and/or Temporary Help	$14.82 per week
Messengers/Storeboys	$18.52 per week
Counter Clerks	$29.63 per week
Cashiers	$37.04 per week
Supervisors	$48.15 per week
Probationary Clerks	$23.70 per week - during the first six weeks of employment.

Average Wages

Position	Weekly Wage Rate (U.S. Dollars)
Unskilled Farm Labourer	$0.67/Hr. (male) $0.47/Hr. (female)
Unskilled Building Labourer	$45 to$58/Wk.
Truck Driver	$44 to $57/Wk.
Mason or Carpenter	$80/Wk.
Machine Operator	$27
Automobile Mechanic	$68/Wk.
Semi-skilled Assembly or Garment Worker	Trainee $0.52/Hr. Trained $0.67/Hr.
Hotel Waiter	$17 plus service charge
Shorthand Typist	$207.41 to $375/Month
Clerk	$185.19/Month
Hotel Receptionist	$22.22 to $40/Wk.

A normal working day is 8 hours. Wage rates vary considerably from firm to firm. Wages for new production employees are generally established with the initial payment rates on a trial employment basis, and are generally raised in three-month intervals during the training period.

Overtime	1½ times the normal wage for work in exceed of 42 hours per week or 7 hours per day. Double time for Sundays and holidays.
Vacation Time	Every worker having been employed for one year earns an annual paid holiday of not less than fourteen days, exclusive of Sundays and public holidays

A "year of employment" varies depending on the type of work:

For agricultural works it is at least 126 days.

For all other workers, at least 238 days for those working on a weekly, fortnightly, monthly or yearly basis; and at least 154 days for those working on an hourly, daily or piece-work basis.

Labour Organizations:

Union	Membership
St. Kitts	
St. Kitts-Nevis Trades and Labour Union	7,600
Waterfront Airport and General Workers Union	NA
United Workers Union	NA
Nevis	
Waterfront and Allied Works Union	NA

Labour Negotiations:

Wage contracts have an average duration of about one year. When contracts are negotiated, the union with 51 percent of the workers in the particular industry is recognized by the employers Federation is available to advise management in labour negotiations. Every worker must be insured and that insurance registered with the labour commissioner.

Work Permits:

Executive and technical personal may be brought in after obtaining a work permit from the Ministry of Home and Foreign Affairs.

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A DOZEN REASONS WHY

TO INVEST IN

ST. KITTS - NEVIS

The Government of the State of St. Kitts-Nevis is making a determined bid to attract foreign private investment into the country. This effort is fully supported by our private sector, which is participating in it through the Chamber of Industry and Commerce and its related Manufacturers Association. We offer a healthy investment climate and the opportunity to make unusual profits. Industrial estates have been established and infrastructure expanded to help manufacturers succeed.

To insure this we offer:

1. POLITICAL STABILITY

A stable political environment, with a Government committed to democratic parliamentary rule with a free enterprise system.

2. A GROWING ECONOMY

St. Kitts-Nevis overall economic growth in real terms has been positive since 1977; with growth in the manufacturing sector exceeding 10% and tourism exceeding [illegible]% per year on average. Investors have the opportunity to participate in this growth, and supply either or both the offshore and the domestic regional markets.

3. FRIENDLY EASILY TRAINED PEOPLE

Our work force is made up of friendly, easily trained and adaptable people, possessing a high degree of manual dexterity. Present manufacturers have found their learning curve to each USA output and quality standards compare favourably with that of other countries. Currently average production worker efficiency in established operations is 85% US Standard Output in Testiles and 95% Standard Output in electronics. Wage rates are low and tied to productivity, averaging US$0.62 per hour in textiles, and somewhat higher in electronics.

4. FREQUENT GOOD AIR AND SEA CARGO SERVICE

Five air freight carriers provide weekly scheduled service between St. Kitts-Nevis and New York City, Miami, San Juan; and there are five ad hoc or charter air cargo air lines serving St. Kitts, the USA, Puerto Rico, and the Caribbean States. PANATLANTIC provides RO/RO service every 12 days between Miami and St. Kitts; and Tropical provided RO/RO service on alternate Fridays between Palm Reach Fla. and St. Kitts. The State is served by other major regional and international shipping lines, typically combination container and general cargo vessels, calling on a monthly basis, linking St. Kitts with the USA, Canda, Europe, and the Far East.

5 NO FOREIGN LANGUAGE TO LEARN

Since English is our language, you will have no difficulty in communicating.

6. LOW LANDED COST IN YOUR MARKET

The combination of low labour costs and high employee productivity, coupled with market proximity and duty exemptions

(tariff items 806.3,807, or G.S.P.) has made the landed cost in the USA (after freight and applicable duty) for production here 30% to 50% or more below that of producing in the USA. President Reagan's Caribbean Basin Initiative will improve this advantage, when enacted, by eliminating US import duty on products other than textiles and footwear. Similar cost savings apply to production delivery to the European Economic Community under the LOME Convention.

7. QUICK LOW COST SET UP

Factory rental space is available for immediate occupancy, with all utilities connected, at US$1.86 per square foot in one of our industrial estates. Or you can build your own plant on an estate site. Land costs are US$448. per acre year, payable monthly. Land and factory costs will be maintained at the same level for five years. Construction cost for factories is currently about US$15. per square foot.

8. SMOOTH FLOW OF OPERATIONS

In our case "small is beautiful" as it permits quick official action to cut through red tape - to guarantee your industry's smooth flow of operation. One organization handles plant infrastructure connections; and one organization coordinates resolution of other issues.

9. LOCAL PRIVATE SECTOR HELP

Our Chamber of Industry and Commerce and its related Manufacturers Association are committed to assisting new investors in the realization of productive successful operations. Management counseling is available through the Chamber and its members are willing to help in your introduction to operations here.

10. EASE OF HEADQUARTER SUPERVISION

Unlike many possible investment locations, we are close to you, just a few hours by air. Direct Travel from Miami is 2½ hours, and from New York 3½ hours. London, and other European connections, are just 7½ hours away. Communication facilities are good as well.

11. INVESTMENT INCENTIVES

100% exemption on corporate income tax for up to 15 years with follow on tax exemptions up to 75% based on the proportion of earnings generated by exports.

12. INVESTMENT PROTECTION

The Government of St. Kitts-Nevis and the USA have an investment Guarantee Agreement. Double taxation agreements exist with the USA, UK, New Zealand, Norway, Sweden, Switzerland, Jamaica, Barbados, Trinidad & Tobago, and Guyana.

ST. KITTS AND NEVIS

I. GENERAL INFORMATION

The islands of St. Kitts and Nevis total 104 square miles (269 square kilometers), and are separated by a two mile strait. They are among the nothernmost Leeward Islands, located about 225 miles southeast of Puerto Rico, 1250 miles from Miami, and about 1500 miles from New York City. Direct air travel from Miami is about 2.5hours and from New York about 3.5 hours. St. Kitts is the abbreviated name for the island officially named St. Christopher. The climate of these verdant islands is tropical, with temperatures averaging 81 degrees Fahrenheidt. There are steady ocean breezes through out most of the year, and humidity is low. While there is no rainy season, the islands are well watered with annual rainfall in St. Kitts averaging 55 inches, and in Nevis 48 inches.

St. Kitts was discovered by Columbus in 1493; and in 1623 became the first British settlement in the West Indies. St. Kitts and Nevis, originally British Colonies, assumed complete internal control in 1966; remaining associated with the United Kingdom in matters of external defense and foreign relations.

The State's stable democratic Government is patterned after the Westminister model with a single House of Assembly, and a Cabinet of Ministers headed by a Premier which determines policy matters. Universal franchise is enjoyed by the State's citizens. English common law provides the basis for the legal system.

Regional memberships include: the Caribbean Common Market (CARICOM), the Caribbean Development Bank (CDB), the East Caribbean Common Market (ECCM), the East Caribbean Currency Authority (ECCA), the Organization of Eastern Caribbean States (OECS), and the private sector Caribbean Association of Industry and Commerce (CAIC).

St. Kitts-Nevis has a population of 44,400 (1980 Census) of mainly African descent. The population level has remained stable in size for the past 12 years, primarily due to migration. English is the official language, and the literacy rate is high.

The official currency is the Eastern Caribbean dollar (EC$) which is pegged to the US dollar at the rate of US$ 1.00 = EC$2.70.

II ECONOMIC INDICATORS

Gross National Product in St. Kitts-Nevis was US$48.1 million or US$1083 per capita in 1980. The average annual rate of growth in GDP from 1977 to 1980 was 1.7% in constant prices, levelling out in 1981 and 1982, principally due to adverse world market conditions for the State's principal export (sugar). The decline in sugar revenues was barely offset by improved performance in the other sectors of the economy.

Public sector finances weakened in 1981. The current deficit of the Central Government in 1981 was US$0.8 million compared to a surplus in the prior year of US$2.9 million. The main cause of the feficit being a large civil service award which pushed current expenditures up 18% in 1981. The financial situation of the rest of the public sector also deteriorated, bringing the current account deficit of the consolidated public sector to nearly US$3.7 million.

While the State's economy is still dependent largely upon sugar, which represents over 70% of exports and about 15% of GDP, the State is attempting to diversify the economy. Diversification priority is directed not only to agriculture, but very importantly to the development of private sector investment in light manufacturing, such as textiles and electronics, and to the development of the tourism industry.

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These sectors have shown rapid growth since 1977, reflecting compound anual GDP growth rates of 10.4% and 22.2% respectively in real terms.

III MANUFACTURING COST FACTORS

Transportation

There is frequent good air passenger service connecting St. Kitts-Nevis with the USA, Puerto Rico, Candad, Europe, and other CARICOM States. A listing of services can be found in the Appendix. There are also frequent good air and sea cargo services. Five air freight carriers provide weekly scheduled services between St. Kitts-Nevis and New York City, Miami, and San Juan, with connections to other cities; and there are five charter air cargo lines serving St. Kitts, the USA, Puerto Rico, and the Caribbean States. RO/RO container service between Florida and St. Kitts is available every 12 and 14 days respectively from two carriers; and the State is served by other major regional and international shipping lines, typically combination container and general cargo vessels, calling on a monthly basis; linking St. Kitts with the USA, Candad, Europe, and the Far East. Specific details can be found in Appendices I and II. The table for air cargo lists minimum service frequency subject to adjustment based on volume. Air cargo rates are not listed as they are subject to negotiations downward from quoted rates such as about US$0.60 per lb. southbound from Miami and US$0.20 per lb. north to Miami on shipments of 1100 lbs. or more. Sea cargo rates are also negotiable.

Roads and Ferry Service

The industrial estates, air and sea ports, and population centres in both St. Kitts and Nevis are connected by good roads and other communications facilities. There are 123 miles (200 km.) of roads on the islands, of which 50% are paved. In addition, there is a 35 mile narrow guage railroad on St. Kitts used for the sugar crop, and tourists off season. Frequent air and sea ferry service link St. Kitts and Nevis.

Airports

St. Kitts

Golden Rock (International) Airport is about one mile from the capital city of Basseterre. It has an 8000 foot runway with night landing facilities. The runway can accommodate large jet aircraft.

Nevis

The runway at Nevis Newcastle Airport is 2500 feet long, and has night landing facilities. At present, the runway can accommodate only light aircraft.

Sea Ports

St. Kitts

There is a deep water port with RO/RO facility in St. Kitts. The port can accommodate ships up to 30 foot draft.

Particulars:

a) a 400 long sheet piled marginal wharf with a minimum of 30 foot depth of water alongside. There are two tractors and a 20 ton mobile crane to handle small container boxes.

b) a 90 foot wide RO/RO facility with berthing dolphins and a minimum water depth of 16 feet.

c) an administration building, transit shed and high mast lighting.

d) a mooring buoy to facilitate berthing of vessels of over 400 ft. and up to 750 ft.

Nevis

There is a pier 415 feet long by 26.25 feet wide and a maximum water depth of 16 feet.

Communications

The Government Telephone Department operates the automatic dial telephone system on St. Kitts-Nevis. Cable & Wireless (West Indies) Ltd. provides international telegraph, telephone and telex services. There are inter - island VHF/UHF radio connections with an international link via Antigua.

Electricity

Electricity supply is from diesel and engine generators. The power is 230 volt single phase; 400 volt three phase, A.C. 60 cycles. A detailed rate schedule is contained in Appendix III.

Labour

St. Kitts-Nevis has a work force of 20,000 people, with a sizable supply of skilled and semi-skilled labour. Wage rates can vary considerably from firm to firm; and are established in management-labour contracts typically tied to individual productivity. Currently, average production worker efficiency in established operations is 85% of US standard output in textiles and 95% in electronics. Wage rates average US $0.62 per hour in textiles and somewhat higher in electronics. Minimum wage rates exist only for domestic servants and retail employees. A detailed schedule can be found in Appendix V.

The typical work week is 44 hours. Overtime rates are double time on Sundays and Holidays, and time and a half other days. The definition of a year's employment varies by industry. It is at least 126 days for agricultural workers. For other workers it is at least 238 days when working on a weekly, monthly, or yearly basis; and at least 154 days for those working on an hourly, daily or piece work basis.

There are 12 holidays on St. Kitts and 13 on Nevis. Workers typically earn a minimum 14 days paid vacation after working for one year. Every worker must be insured for workman's compensation as well as Social Security.

There are four unions on the islands: the St. Kitts-Nevis Trades and Labour Union, the United Workers Union, the Water-front and Allied Workers Union, and the Waterfront, Airport and General Workers Union.

Vocational and technical training programmes exist at the State's Technical College.

IV INVESTMENT INCENTIVES

The Government of St. Kitts-Nevis offers incentives to attract offshore investors to the State. These Incentives include:

Fiscal Incentives

The Act covering fiscal incentives provides for 100% exemption from company income tax for up to 15 years,

depending upon the local value added by the industry invested in. The schedule is shown below.

Enterprise	Value Added	Maximum Tax Holiday
Group I	50% or more	15 years
Group II	25 - 50%	12 years
Group III	10 - 25%	10 years
Enclave	-	15 years

Companies which qualify for tax holidays are allowed DUTY FREE IMPORT into St. Kitts-Nevis of all equipment, machinery, spare parts, and row materials used in production.

After the expiration of the tax holiday a company can get continued relief in the form of a tax credit based on the percentage of profits attributable to exports. Since the tax on chargeable company income amounts to 50%, the foregoing represents potential exemption of up to 75% of company income tax.

Repatriation of Profits

Companies are allowed to repatriate all profits, dividends, royalties, management charges, etc. provides that arrangements are made with the Ministry of Finance.

Trade Benefits & Investment Protection

Imports from St. Kitts-Nevis into the USA enjoy preferrential treatment under the Generalized System of Preferrence (GSP), or reduced import duties when certain source and value added criteria are met. Similarly, imports from St. Kitts-Nevis into the EEC enjoy preferrential treatment under the LOME Convention. St. Kitts-Nevis hasan Investment Guaranty Agreement with the USA; and double taxation agreements with the USA, United Kingdom, New Zealand, Norway, Sweden, Switzerland, Jamaica, Barbados, Trinidad and Tobago, and Guyana.

Taxes

There is no personal income tax for nationals on the islands. There is a 20% income tax for aliens (not applicable to US Citizens) and a 50% tax on chargeable income for companies. Persons or companies remitting payments to persons or companies outside the State must deduct 10% withholding tax (transfers of profits excepted) payable to the Comptroller of Inland Revenue. These payments include: administration, management or head office expenses; technical service fees; accounting and audit expenses; royalties; nonlife insurance premiums; and rent.

Factory Shells

There are two Industrial Estates of 89 acres and 22.25 acres respectively on St. Kitts, both within one and a half miles from the airport; and an even shorter distance from the deep water harbour. There is one 14 acre Industrial Estate on Nevis. Factory rental rates on these estates are US$1.86 per square foot per year, with a minimum lease of five years. Estate land rental charges are about US$448. per acre per year, if you build your own factory on an estate. Investors wishing to erect their own factories will find construction costs of about US$10.50 per square foot.

APPENDIX I

AIRLINE PASSENGER SERVICE

BWIA (British West Indies Airways): direct flights to and from New York City on Thursdays, an to and from Miami on Fridays. Provides flights to and from St. Lucia and Barbados.

PRINAIR: daily scheduled services from Puerto Rico, St. Thomas, St. Croix, and St. Maarten.

DAILY CONNECTIONS to international carriers (American Airlines, Eastern Airlines, British Airways, etc.) serving North America and Europe via LIAT; WINAIR; AND PRINAIR.

LIAT(Leeward Islands Transport): daily schedule services to and from Antigua, St. Maarten, St. Thomas, St. Croix, Montserrat, Dominica, Guadeloupe, Martnique, St. Lucia, St. Vincent, Barbados, Grenada. Also weekend service to Puerto Rico.

WINAIR (Winward Islands Airways): daily flights to St. Maarten, Saba, and St. Eustatius.

AMERICAN EAGLE: charter service on Sundays between Chicago and St. Kitts.

EVERGREEN: charter service between New York City and St. Kitts on Sundays.

AIR FREIGHT

AVIA AERO SERVICES INC. Weekly (Wednesday) direct Boeing 707 cargo services between St. Kitts and New York City, Miami, and San Juan, Puerto Rico.

ARROW AIRWAYS: charter service to US Cities. Operates out of Miami.

BORINGUEN AIR: charter service between Puerto Rico and St. Kitts.

BRITISH CARIBBEAN AIRWAYS: weekly (Thursdays) to and from St. Kitts and Nevis (Beachcraft 18s, DC 3s, DC7s) and Puerto Rico interconnecting with Tiger and other lines serving US cities; Toronto, St. Maaerwn, United Kingdom.

BWIA: flights three times a week, Thursdays, Fridays, Saturdays, - New York, Miami, Toronto, Antigua, Trinidad and St. Lucia.

CARICARGO: charter service to New York, Miami, Toronto, Antigua, Trinidad, St. Lucia, and Puerto Rico.

CASIART: Charter service. Operates out of US Virgin Islands and Puerto Rico.

COSTAL AIR TRANSPORT: weekly (Friday & Sundays) cargo service (Beachcraft) between Nevis and St. Croix.

SEAGREEN: Charter Service. Operates out of Miami, Puerto Rico, and Antigua.

SOUTHERN AIR TRANSPORT: weekly cargo service to and from Miami, San Juan, St. Maarten.

LIAT; WINAIR: flight daily connecting international carriers in Antigua, St. Maarten, and Puerto Rico with both St. Kitts and Nevis. Limited cargo space.

/6...

APPENDIX II

SHIPPING

The State is served by major regional and international shipping line, typically combination container and general cargo vessels.

RO/RO service to and from Florida and St. Kitts is available every 12 and 14 days.

The line calling on St. Kitts and service frequency includes the following:

FROM	LINE	FREQUENCY
Europe	Booker (U.K. Liverpool/Glasgow)	monthly
	Harrison (U.K. / Puerto Rico)	monthly
	Dedlloyd (West Germany, Holland, Belgium)	each 6 weeks
	Carol Services (via Puerto Rico)	monthly
Canada	Saguenay	monthly
USA	Pan Atlantic (Miami) RO/RO	each 12 days
	Tropical Shipping (Palm Beach, Fla.; St. Johns, Antigua) RO/RO	every other Friday
	Bernuth Marine Shipping (Miami)	monthly
	TEC Lines (Miami)	monthly
FAR EAST	WISCO (Transshipment via Jamaica)	each 5 weeks

APPENDIX III

ELECTRICITY RATE SCHEDULE FOR ST. KITTS-NEVIS (JUNE 30, 1982)

(Expressed in US$ See footnotes to calculate current costs)

GENERAL SERVICE	CHARGE
Applicable for all services	Energy charge of $0.13 per Kwh with minimum total charge of $2.22
INDUSTRIAL & COMMERCIAL SERVICES	ENERGY CHARGE
Applicable for all manufacturing & commercial premises	$0.063/Kwh for first 50Kwh/kva $0.056/Kwh for next 75Kwh/kva $0.48/Kwh for next 125Kwh/kva $0.037/Kwh for all kwh exceeding 250kwh/kva.
	DEMAND CHARGE
	$3.70/kva for every Kva of demand or part thereof.
DOMESTIC SERVICE	ENERGY CHARGE
Served by 230 volt single phase supply	$0.067/kwh for first 50 kwh $0.052/kwh for all kwh exceeding 125 $0.059/kwh for next 75 kwh DEMAND CHARGE
	$2.22 for first 15 amps of fuse rating or part therefore of fuse protecting service
	$1.48 for next 15 amps of fuse rating or part thereof of fuse protecting service
	$1.85 for additional fuse rating exceeding 30 amps of fuse protecting service.

COST OF SERVICE ADJUSTMENT

Subject to the preceding regulation the tariff rates for energy consumption, as specified in the schedule, shall be increased on the first day of July 1982 by a cost of service adjustment of .0.007 per kwh to the rates specified. There-after an additional $0.019 per kwh shall be added to the energy charge of the previous quarter at the beginning of each quarter for a period of 12 months.

FUEL COST ADJUSTMENT

The rates for energy consumption shall be increased or decreased by $0.004 for each $0.04 increase or decrease, as the case maybe, on the $1.25 per gallon price of fuel to adjust the energy cost for electricity generation in the State.

REPRESENTATIVE US BUSINESS SUCCESSES

IN ST. KITTS-NEVIS

ELECTRONICS

Harowe Servo Controls Inc., Subsidiary of Bowmar Instrument Corp (Newbury, Cal. U.S.A.): Started producing D.C. Servomotors in 1975 through turnkey management contract with Electrofab Ltd. (local firm). Commenced direct operations 1978 as St. Kitts Enterprises Co. Ltd. Employs about 200 people in three plants, two in St. Kitts and one in Nevis. Now building additional plant in Nevis to employ an additional 200 people.

Transducer Systems Inc. (Willow Grove, Pa. USA): Started producing transducers in 1975 through turnkey management contract with Electrofab Ltd. Commenced direct operations as TDI in St. Kitts in January 1981. Currently employ 82 people. Operations Successful.

AIE Div. of Vernatron (Tennessee, USA): Started production of transformers in 1980 through labour contract with Electrofab Ltd. Current employment in 1983 based successful operations.

EDP SERVICE INDUSTRY

Analysis Programming Corp. Greenwich, Conn. U.S.A.): Started operations as Key Universal in St. Kitts in 1981. Operates three shifts. Currently employs 110 people. Plans to expand operations to employ up to 150 people in 1983.

TEXTILES

Best Form (USA): Started direct operations producing lingerie as Wellington Ltd. in St. Kitts in 1979. Currently employ 247 people. Based successful operations expanding plant and employment to about 400 in 1983.

St. Kitts Apparel (affiliated Fashion Trading of NYC and Miami (USA): Started opeations in January 1982 in St. Kitts. Produces ladies athletic wear and other apparel under contracts. Currently employs about 115 people and planning to expand operations.

PRINCIPAL EXISTING INDUSTRIES IN ST. KITTS - NEVIS

ELECTRONICS	Transducers
	Transformers
	Resistors
	Servomotors
	Radio & TV Assembly
E.D.P. SERVICE INDUSTRY	
TEXTILES	Lingerie & Brassieres
	Athletic apparel
	Women's jackets & skirts
	Men's & boy's pajamas
	Jeans
	Hand embroidered tapestries
	Hand embroidered apparel
	Batik apparel & art products
SCREEN PRINTING	T Shirts & Other textiles
FOOTWEAR	Men's & Boy's leather shoes and work boots
FOOD & BEVERAGES	Margarine & Shortening
	Ice cream
	Bakeries
	Soft drink bottling
	Brewery
	Sugar & Molasses
	Fruit concentrates & preservers Jams & Jellies
WOODEN FURNITURE	
METALCRAFT	
BOAT BUILDING	Small wood & fiberglass vessels
INDUSTRIAL GASES	
COMMERCIAL PRINTERS	

Agency for International Development (AID)

AID administers most of the foreign economic assistance programs of the U.S. Government. AID programs provide opportunities for U.S. firms to sell goods and technical services to Caribbean Basin countries under loans and grants made by AID. AID's programs in some Caribbean Basin countries can provide financing for local investments in joint ventures with U.S. companies.

Information on business opportunities under AID programs in the Caribbean Basin may be obtained from:

Peter Bittner in the Latin American Private Sector Division (202-632-2302),

Jim Holtoway in the Office of Caribbean Affairs (202-632-3452), and

Dwight Johnson, Director, Latin American/Caribbean Projects (202-632-9148).

Export/Import Bank of the United States

Eximbank is an independent U.S. Government agency that provides financing for American exporters. Eximbank programs include:

Loan guarantees and financing for U.S. exports.

Small Business Advisory Service, with information on the availability and use of export credit insurance, guarantees, discount loans and foreign bank credit. Hotline 800-424-5201 or 202-566-8860

The Export Credit Insurance Program insures exporters against losses caused by specific commercial and political factors. Eximbank offers a variety of policies in cooperation with the Foreign Credit Insurance Association (FCIA), an association of more than 50 private U.S. insurance companies. FCIA can be reached in New York at 212-306-5000.

U.S. Department of Agriculture (USDA)

USDA has a number of programs designed to assist with agribusiness development in the Caribbean Basin. An Agribusiness Promotion Council has been established to advise USDA on project plans in the Caribbean Basin. USDA has established a Caribbean Agribusiness Information Desk for U.S. business, providing market information and opportunities for agriculture-related investments, 202-447-4515.

A Caribbean Basin Success Story

Harowe Servo Controls, Inc. is a small, high-technology company located in West Chester, Pennsylvania. Harowe manufactures rotary servo components used in commercial and military aircraft, machine tools and computer peripheral equipment with all products being made to order. Labor accounts for approximately 56 percent of production costs. Last year Harowe generated $14 million in sales and expects to exceed that total this year, particularly as the firm takes advantage of the Caribbean Basin Initiative.

How does a small company like Harowe succeed in a market dominated by giant international electronics companies? They do it with high-quality products and extremely cost-effective labor. Harowe's capabilities are due, in part, to the successful operation of its subsidiary, St. Kitts Enterprise Ltd., located on the Caribbean island of St. Christopher-Nevis (also called St. Kitts-Nevis).

The idea of assembling components overseas developed when Harowe's leadership recognized that they would have to reduce labor costs to meet foreign competition. Although Harowe had no experience in international business, in 1972 the company began subcontracting some of its assembly work in Singapore. The Singapore experiment lasted two years but was discontinued because of rising labor and other related costs. Also, the logistics of managing an operation 13,000 miles away proved to be extremely burdensome.

In 1975, as an alternative to Singapore, Harowe began subcontracting some of its assembly work to a local entrepreneur in St. Kitts. This experience proved so profitable that in 1978, Harowe decided to purchase the subcontractor's business and operate it as a wholly-owned offshore subsidiary.

Harowe soon discovered that operating an offshore subsidiary has its own special problems and responsibilities. Harowe's first priority was to recruit an operations manager for its new satellite company. Given the critical importance of the position, the company used extensive advertising in the United States, Canada and the United Kingdom. It found an extremely well qualified operations manager, but other important management positions remained unfilled. Harowe then made what the company now believes was a crucial decision; it would hire and train local managers to fill vacancies. In fact, company officials believe that the success of their operation in St.

Harowe's success in a market dominated by giant international electronics companies is due in part to the efficient, cost-effective operation of its subsidiary, St Kitts Enterprise, Ltd., shown at left, located in St Kitts-Nevis.

Kitts is due, in large measure, to this local hire policy.

However, there were some costs. The former President of Harowe, Robert N. Carlson, believes that the local hire decision was probably more expensive in the short run, especially since intensive training was needed (both in St. Kitts-Nevis and at the company's headquarters in West Chester). Because of the technical nature of Harowe's products and its high quality control standards, headquarters has also provided ongoing technical assistance for the St. Kitts-Nevis operation. This has required numerous trips to St. Kitts for Harowe manufacturing and quality control personnel, but regular four-hour flights proved far less difficult than multiday visits to the Far East.

Carlson is convinced that the benefits to Harowe from training locals for management positions will continue far into the future. For one thing, overhead is lower because salaries for local managers are less than for their American counterparts. Harowe's strong commitment to localization has had a positive impact on the St. Kitts economy. The government recognizes that contribution and, as a result, a large reservoir of goodwill exists. Government officials have cooperated in assisting Harowe's expansion plans and resolving any local problems.

In addition to management and skilled labor jobs, Harowe's presence has also introduced high technology into the local economy and provided training to manage the technology. As a result, St. Kitts-Nevis is a more attractive location for future foreign investment. Finally, Harowe's U.S.-based leadership is heartened by the good corporate citizenship of its operation in St. Kitts-Nevis. Officials are proud to break the stereotype of foreign companies that only take from the host country and give little or nothing in return.

Harowe has now completed five years of overseas manufacturing in St. Kitts-Nevis. Success has encouraged the firm to continually expand both the capacity and technical capability of its subsidiary. Since 1979 Harowe has built two new buildings and diversified and upgraded production to include stators, rotors and housing assemblies. St. Kitts Enterprises, Ltd. presently employs about 150 people. Harowe has plans to double capacity and hire an additional 100-150 workers. Harowe's experience clearly shows that a small company, with entrepreneurial vision, can successfully operate in the Caribbean Basin.

Harowe's Prescription For Success

- Start with a competent subcontractor
- Find labor pool that fits needs
- Be prepared for substantial upfront investment in training local managers and line employees
- Take periodic audit trips
- Hold weekly meetings at U.S. headquarters to monitor offshore projects
- Readily provide strong technical support to offshore subsidiary
- Work closely with local government officials and carefully study culture and the needs of the community
- Retain local counsel
- Patience in ensuring that the expanded scope of operations parallels the growth of the capabilities of the staff

ST. CHRISTOPHER & NEVIS

APPLICATION

UNDER THE FISCAL INCENTIVES ACT NO. 17, 1974

NOTE:

(a) Application should be forwarded to the
Minister of Trade, Industry and Development
P. O. Box 186
Basseterre, St. Kitts

with a copy to the
Chairman
Development Bank of St. Kitts & Nevis
Church Street
Basseterre, St. Kitts

(b) Only Companies Incorporated and Registered in St. Kitts and Nevis may be granted approved status.

(c) Production of the Approved Product(s) shall not be later than eighteen (18) months after the first publication of the Fiscal Incentives Order in the Gazette.

(d) All currency to be quoted in East Caribbean Dollars.

(e) Provide complete answers to all questions.

(f) A copy of Company's Memorandum and Articles of Association to be forwarded along with relevant documents supporting answers given, and any necessary attachments.

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ST. CHRISTOPHER AND NEVIS

(Give detailed answers to all questions)

A. INCENTIVES SOUGHT

1. Tax Holiday.....

2. Waiver of Customs Duties.....

3. Export Allowances.....

4. Other (Please Specify).....

B. IDENTIFICATION

1. Name of Company.....

2. Registered Address.....

3. Date of Registration.....

4. If Company has not been registered, give proposed name, address and date of registration at (1, 2, & 3).

5. Is Company subsidiary or successor of another Company?

.....

(a) If so, give name and address of Parent Company or former Company

.....

.....

.....

(b) Give nature of business carried on by Parent Company or former company

.....

.....

(c) Is Parent Company or Former Company owned or controlled by citizens of:

(i) St. Kitts/Nevis.....

(ii) Other CARICOM (Specify).....

(iii) U.K. .....

(iv) Other (Specify).....

6. How many Directors does (will) the company have?.....

7. Give names, nationalities and domiciles of Chairman, Managing Director, other Directors and Company Secretary.

.....

.....

.....

.....

8. Do the named Directors have investments in any other enterprise?

.....

If yes, give:

NAME	ENTERPRISE	NATURE OF BUSINESS	LOCATION

9. Have any persons associated with this application been involved with any similar project in the Caribbean Common Market (CARICOM)?

.....

If so, give particulars

.....

.....

.....

.....

C. FINANCE

1. Company's Share Capital

(a) Nominal or Authorised

No..... Value.....

(b) Issued (or to be issued to commence production).....

(c) Paid-up

No. ..... Value.....

(d) Countries in which shares will be/have been issued

.....

.....

2. Give names, nationalities, domiciles of shareholders and proportion of Issued Share Capital held/to be held by each.

NAME	NATIONALITY	DOMICILE	ISSUED SHARES	
			No.	Value

3. Give Capital to be obtained from:

   (a) Debentures

   Value..... Sources.....

   (b) Commercial Bank Loan

   Value..... Sources.....

   (c) Other (Specify)

   Value..... Sources.....

4. If Enterprise is a Subsidiary of another Company, give proportion of Issued Share Capital taken up by Parent Company.

   No. .....Value.....

5. Give Amount of capital invested or to be invested in approved operations:

	To Date	Expected at end of 1st/2nd yrs. of operation
(i)	Land $.....	.....
(ii)	Buildings/ Leasehold Improvements.....	.....
(iii)	Machinery & Equipment.....	.....
(iv)	Other Fixed Assets.....	.....
(v)	Net Working Capital.....	.....
(vi)	Other.....	.....
	TOTAL $	$

6. Give Estimates of Dividends and other distribution of earnings to be made during tax holiday period to:

   (i) St. Kitts/Nevis Nationals.....

   (ii) Other CARICOM Nationals (specify).....

   .....

   (iii) Other (specify).....

7. Give Estimates of any Royalties, Interest, Management and Patent Charges to be made -

   (a) In CARICOM countries.....

   (b) Outside CARICOM.....

D. OPERATIONS

1. Is factory building already available? .....

   If not, give date on which construction will begin.....

   .....

2. Give general description, size and location of factory

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.....

.....

3. Give date production is to begin or has begun.....

.....

4. Give technical description of manufacturing process involved

.....

.....

.....

.....

5. Give detailed description of products for which approved status is being sought.

.....

.....

.....

6. Is approved status being sought for the company's entire operation?

.....

If not, give particulars of other operations which the company may carry out

.....

.....

.....

.....

7. In respect of Plant and Equipment to be used give -

ITEM	QUANTITY	VALUE	SOURCE	CONDITION

8. With respect to raw materials, components, packaging materials, fuels, etc. (to be used) give:

Item	Source	Year 1		Year 2	
		Quantity	Value	Quantity	Value

E. PRODUCTION VOLUME AND DISPOSAL

1. State Estimated Annual Output (Ex-factory) of approved products:

Products	Year 1		Year 2	
	Quantity	Value	Quantity	Value
TOTAL				

2. Do you plan to export any of your products?.....

If so, give estimates:

Product	Country	Year I		Year II	
		Quantity	Value F.O.B.	Quantity	Value F.O.B.
TOTAL					

3. Give Estimates of Exchange of Ex-factory Cost and Ex-factory price of each individual product:

Product	Year I Per Unit Ex-Factory		Year II Per Unit Ex-Factory	
	Cost	Price	Cost	Price

4. Give estimated annual depreciation charge on:

Plant, Machinery, Equipment and Spare Parts .....

.....

.....

.....

.....

.....

F. EMPLOYMENT AND WAGES

1. Do you require work permits for workers? .....

If so, give:

Category of Worker	Nationality	Name

2. Give details of your proposed programme for training local personnel

.....

.....

.....

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.....

3. What special skills does the management of the proposed factory possess in the particular line of production? .....

.....

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.....

.....

F. EMPLOYMENT AND WAGES

(4) Give Data on proposed employment as per the following:

Category of Worker	Initial Stages of Production (i.e. Years I & II)				Maximum Production Stage		
	St. Kitts/ Nevis	Other Caricom	Other	Total	St. Kitts/ Nevis	Other Caricom	Total
TOTAL							

(5) Give Data on proposed wages, salaries and other payments as per the following:

Category of Worker	Initial Stages of Production (Years I & II)				Maximum Production Stage		
	St. Kitts/Nevis	Other Caricom	Other	Total	St. Kitts/ Nevis	Other Caricom	Total
TOTAL							

G. SPECIAL REQUIREMENTS

1. List requirements for:

   (a) Utilities

   (b) Communications

   (c) Waste Disposal

2. Has assistance been sought from the St. Kitts-Nevis Development Bank?

.....

.....

.....

.....

.....

.....

Name of Applicant .....

Signature of Applicant.....

On behalf of .....

Address of Applicant .....

.....

Telephone Number.....Date.....

I. BACKGROUND INFORMATION

(a) Name of individual/company

_____

_____

(b) Address:

Business _____

Telephone _____ Telex _____ Cable _____

_____

Home _____

_____

Telephone _____

(c) Name of principal shareholders, if company

_____

_____

_____

(d) Name and address of banker

_____

_____

II. PROJECT

(a) Brief project description

_____

_____

_____

(b) Proposed location of project

_____

_____

(iv) Permission to purchase land

(b) Concession (fiscal incentives)

(c) Industrial Park Facilities

(d) Special Energy Requirements

(e) Market Protection

(i) Local

(ii) CARICOM

(f) Import/Export Licence

(g) Work Permits

(h) Financing

(i) Equity Participation

(j) Price Control Terms

(k) Repatriation of Funds

(l) Others:

(Please specify precisely)

_____

_____

_____

_____

I assent,

LS

M. P. ALLEN
Acting Governor,
24th April, 1972.

SAINT CHRISTOPHER, NEVIS AND ANGUILLA

No. 6 of 1972.

An Act to provide for the licensing of businesses and occupations.

(15th April, 1972.) Commencement.

Be it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the House of Assembly of Saint Christopher, Nevis and Anguilla, and by the authority of the same as follows:—

1. This Act may be cited as the Licences on Businesses and Occupations Act, 1972. Short title.

2. In this Act unless the context requires a different interpretation, the expression — Interpretation of terms.

"auctioneer" shall have the meaning assigned to it in the Auctioneers Ordinance Cap. 280; Cap. 280.

"Commission Agent" means and includes any person who sells the goods of another for a commission;

"general agent" means and includes any person who sells goods of others on their account, whether the produce of estates or otherwise;

"hotels and guest houses" means and includes establishments used for providing rooms and related accommodation for guests and such establishments feeding their own guests, but not otherwise including a restaurant business;

"importer" means and includes any person who imports, whether for himself or on consignment, goods for sale. Any person who sells and delivers from a customs, excise or other warehouse shall *prima facie* be deemed to be an importer;

"Minister" means the Minister responsible for the subject of Finance;

"newspaper" means any paper containing public news, intelligence or occurrences or any remarks or observations thereon published in the State periodically, at intervals not exceeding twenty-six days between the publication of any two such papers;

"night club" means every business which has a capacity for at least 30 persons seated at tables and the bar, and which maintains table service and dancing or other live entertainment for the guests;

"a non-resident person" means a person other than a person ordinarily resident in the State for at least five years before engaging in business;

"prescribed fee" means the fee prescribed in the Schedule to this Act;

"retailer" means and includes any person occupying a store, shop, room or fixed stand, who buys from a merchant, importer or otherwise, or who himself imports and sells in small quantities by retail to those who resell, use or consume the goods;

"wholesale dealer" means and includes any person who sells by wholesale or by both wholesale and retail on the same premises.

Persons carrying on certain businesses and occupations to obtain licence.

3.(1) Notwithstanding anything contained in any other law, every person wishing to carry on a business, occupation or trade or practising any profession mentioned in the Schedule to this Act, as a condition precedent to carrying on any such business, occupation, profession or trade, shall apply in writing to and obtain from the Minister a licence to engage in or to conduct such business, occupation, profession or trade and such licence shall be according to the classification thereof in the said Schedule, and shall be issuable on payment of the prescribed fee.

Schedule.

(2) A licence issued under subsection (1) of this section shall entitle the holder thereof, for the period specified in the licence, to carry

on the specified business or occupation, profession or trade from the designated place of business.

(3) The Minister may by Order revoke, increase, reduce or alter any licence fee specified in the Schedule to this Act and may add any licence fee thereto.

Schedule.

(4) An Order made under subsection (3) of this Section may contain such consequential, supplemental or ancillary provisions as appear to the Minister to be necessary or expedient for the purpose of giving due effect to the order, and may provide for the granting of a free licence if the Minister is satisfied that it would be just and equitable to do so having regard to the annual gross takings or turnover or to the value of the stock of the business or occupation of any person.

(5) An Order made under subsection (3) of this Section increasing any licence fee shall be subject to the approval of the House of Assembly.

Applications for licences.

4.(1) Applications for licences under this Act shall be made on such forms as may be prescribed by the Minister and shall contain a true statement of the several particulars required by the said form and any other relevant facts that the Minister may reasonably require; and the Minister may prescribe that the applicant shall furnish information concerning his identity, personal history, experience, business record, particulars of any conviction for any offence which is a crime involving moral turpitude.

(2) In the case of companies or partnerships, the following provisions shall have effect —

(a) the requirements of subsection (1) of this Section shall be applicable to all of the shareholders or partners and in any case shall be applicable to the actual owners and not merely to the nominal owners of either the business or any participation or share therein;

(b) the application shall designate each member, or officer who will exercise the powers to be conferred

by the licence upon such partnership or corporation;

(c) the Minister may require any such member, officer or employee to furnish him with the information required of applicants under subsection (1) of this section;

(d) in the case of a partnership, application shall be made in the name of the firm; and it shall not be necessary to take out a separate licence for each partner.

Term of licence and renewal thereof.

5.(1) A licence shall have validity until the 31st day of December next after the date of its issue:

Provided that if a licence is not put into active use in the business, occupation, profession or trade for which the licence was granted within a period of ninety days following the date of issue of such licence then such licence shall thereupon be revocable.

(2) A licence shall be renewable on payment of the prescribed fee.

(3) A licence may be reviewed at any time by the Minister.

Licences not transferable.

6. No licence issued to any person or company or association to carry on a business, occupation, profession, or trade under this Act may be transferred to any other person, company or association:

Provided that a business licence to a natural person shall on the death of the licensee be deemed to be transferred to the widow or widower of the licensee so long as the widow or widower remains unmarried:

Provided also that a business licence held and used by a company may be transferred on the sale of the company.

Each place of business chargeable.

7. Where different stores, shops or other premises are kept in the name of one person or firm, a separate licence shall be taken out for each place of business, store, shop or other premises:

Provided that the opening of another store, or place of reception of goods, and at which no

sales are effected, shall not be deemed to come within the meaning of this section.

Person commencing business during current year to pay proportion of duty.

8. If any person or firm shall obtain a licence to commence trade, or business, or open any new place of business, store, shop or other premises (except as aforesaid or where it is only the change of the place of business) during the current year, he or they shall pay the duty, or the proportion of duty, for so many quarters of a year (the fractional part of a quarter being reckoned as a quarter), as shall remain of the current year.

Change of location of business, notice to be given to Ministry of Finance.

9. Whenever any person having paid a licence duty under this Act, as the occupier of any store, room, or yard, where goods are sold by retail, shall change his place of business to other premises, notice thereof shall be given to the Ministry of Finance and the licence shall thereupon enure as a licence to such person to do business at the premises to which he shall have removed.

How applications to be dealt with by Minister.

10.(1) Upon the receipt of an application for a first licence under the provisions of this Act, the Minister may consult with any department of the Government of the State for the purpose of obtaining reasonable information or such approval as the Minister may determine to be necessary before action is taken upon the application and without prejudice to the generality of the foregoing provision he shall in appropriate cases cause copies of the application to be sent to the Minister charged with the responsibility for the subject of housing for construction and site acceptability and in the case of a business, occupation, trade or profession involving food operations to the Minister of Health.

(2) The Minister may impose reasonable conditions and terms in any first or renewed licence reasonably related to the business, occupation, profession or trade.

Refusal, revocation or suspension of licences.

11.(1) The Minister, after notice and hearing may refuse to issue, or may revoke or suspend a licence for any one or more of the following causes —

(a) where fraud or deceit has been perpetrated in the application;

(b) where the Minister finds that

because of the moral character or previous misconduct of the applicant or licensee, relevant to the conduct of the business or occupation for which the licence is sought or has been granted, such applicant or licensee is not a suitable or fit person and the refusal, revocation or suspension of the licence is accordingly necessary to protect the public welfare, health, morals or safety;

(c) where the licensee allows, permits or suffers on the licensed place or business any improper or wrongful behaviour of a substantial character and of public concern;

(d) where the licensee has committed a breach of or has failed to comply with any terms or conditions of the licence imposed by the Minister in accordance with the provisions of subsection 2 of section 10 of this Act.

(2) The provisions of sub-section (1) of this section shall be applicable to each member, or officer or employee of a partnership or company who is to exercise the powers conferred by the licence and to the manager or operator of a place of business, licensed under the provisions of this Act.

(3) A written notice stating the nature of the causes constituting the basis for the determination to refuse, revoke or suspend the licence and the time and place of the hearing shall be served on the applicant or licensee, as the case may be, not less than 30 days prior to the date of the hearing either personally or by sending him a copy thereof by registered post to the last known address of the applicant or licensee.

(4) If, after having been served with the notice of hearing as provided in subsection (3) of this section, the applicant or licensee fails to appear at the said hearing, the Minister may proceed to hear evidence against him and may enter such order as may be justified by the evidence, and the order shall be final, unless the

applicant petitions for a review by the Cabinet as provided in subsection (6) of this section:

Provided, however, that within thirty days from the date of the Order, upon a showing of good cause for failure to appear and defend, the Minister may re-open the proceedings and may permit the applicant or licensee to submit evidence on his behalf.

(5) At any hearing the applicant or licensee may appear in person and by counsel, produce witnesses and evidence on his own behalf, cross-examine witnesses and examine each evidence as may be produced against him.

(6) Any person adversely affected by any order of the Minister may obtain a review thereof by filing a written petition for review with the Secretary to the Cabinet within 30 days after the entry of the said order stating the grounds upon which review is asked and asking that the order of the Minister be modified or set aside in whole or in part.

(7) Within 30 days of the filing of a petition as aforesaid, the Cabinet shall review the decision against which the petition was made, and the decision of the Cabinet, following such review shall be communicated to the petitioner by the Secretary of the Cabinet.

12. The provisions of this Act shall not apply to:— Exemptions.

(a) agencies of the Government of the State;

(b) any corporation which proves to the satisfaction of the Cabinet that it has been formed for any purpose connected with social or public welfare, the public services, religion, charity, education, art or science, and that it applies its income and profits solely for promoting all or any such purposes and that it does not permit the payment of any dividends to its members;

(c) transactions involving a charitable or benevolent purpose;

(d) any person occupying a stall or

stand in any public market established by Government or by a local Government Council, and paying market fees in respect of such stall or stand: provided that this exemption shall apply only in respect of such stall or stand;

(e) any person either by himself, member of his family, his known agents or servants, selling any fresh fish, milk, fruit, vegetables, ground provisions, vegetable roots or other vegetables: Provided that this exemption shall apply only in respect of such business as is referred to in this paragraph in regard to articles of local produce;

(f) Financial Institutions registered under the Banking Act, 1967;

(g) Insurance Companies and Insurance Agents registered under the Insurance Act, 1968;

(h) Travelling Agents and Pedlars as defined in the Travelling Agents and Pedlars Licences Ordinance.

Penalties.

13.(1) If any person carries on a business occupation profession or trade mentioned in the Schedule to this Act without first having obtained the licence herein provided, he shall be guilty of an offence and shall be liable on summary conviction before a Magistrate to a fine not exceeding three hundred dollars or to imprisonment for a term not exceeding three months or to both such fine and imprisonment.

(2) Prosecutions under this section may be instituted either in the magisterial district in which the offender resides or where the offence was committed.

Cap. 57.

(3) The provisions of section 3 of the Perjury Act shall apply to every application, statement, document and to all information presented to the Minister in an application or at a hearing under this Act.

(4) The Attorney-General may institute an action in the High Court for an injunction to restrain any person or association from engaging

without a licence in any of the businesses, occupations, professions or trades subject to the provisions of this Act.

Transitional.

14. Notwithstanding anything contained in this Act any person who at the date of the coming into operation of this Act was carrying on any business, occupation, profession or trade shall not be liable to any penalty under this Act in respect of carrying on such business, occupation, profession or trade until after the expiration of 90 days after the said date.

Construction.

15. For the avoidance of doubt in the construction of this Act it is hereby declared that the provisions of this Act shall be in addition to and not in derogation of any of the provisions of any other Act, Ordinance or subsidiary legislation and such other provisions shall continue in force in the same manner as if this Act had not been passed.

Commencement.

16. This Act shall come into operation on the 15th day of April, 1972.

W. F. GLASFORD
Speaker.

Passed the House of Assembly this 14th day of April, 1972.

ALPHONSO LEWIS
Clerk of the House of Assembly.

SCHEDULE

Section 3 (1) (3)

BUSINESSES, OCCUPATIONS, PROFESSIONS AND TRADES TO WHICH THIS ACT APPLIES.

Licence to carry on business of agents and auctioneers

		$	¢
Travel and ticket agent	For each person carrying on business and shall include one designated place of business	50	00

		$	¢
Real Estate Agent or Commission Agent or General Agent or Auctioneer	For each person carrying on business and shall include one designated place of business	50	00

Trades and Professions

Medical Doctors	For each person carrying on business	200	00
Chemists and Druggists	do	50	00
Dentists	do	100	00
Optometrists ..	do	100	00
Lawyers	do	175	00
Consultants	do	175	00
Construction Contractors	do	150	00
Engineers	do	100	00
Electricians ..	do	20	00
Architects	do	150	00
Surveyors	do	150	00
Draftsmen	do	50	00
Accountants (Public) ..	do	75	00
Accountants (Certified) or (Chartered) ..	do	150	00
Radio, Television and Refrigerator Repairers	do	50	00
Mechanic and Vehicle Repairers	For each person carrying on business and shall include one designated place of business	30	00

Commercial

Gasoline Stations ..	For each person carrying on business and shall include one designated place of business	50	00
Bakeries	do	35	00

		$	¢
Dry Cleaning and Commercial Laundry	For each person carrying on business and shall include one designated place of business	30	00
Car Rental By Day, Week or Month up to 10 Vehicles	do	30	00
More than 10 Vehicles	do	50	00
Importers of Goods for resale	do	50	00
Printing and Publishing Business (including newspapers) ..	do	25	00
Photographic Studio ..	do	10	00
Retail Shops and Stores (except liquor) ..	do	25	00
Funeral Undertakers ..	do	25	00
Wholesale Business (except liquor)	do	75	00

Hotels and Restaurants

Coffee Shop and Ice Cream Parlours	For each person carrying on business and shall include one designated place of business	25	00
Hotels and Guesthouses			
(a) more than 40 beds		150	00
(b) more than 10 beds		50	00
(c) 10 beds or less		25	00
Restaurant		10	00

Clubs

Clubs, other than clubs formed solely for the purpose of outdoor games or sport	For each club (members or proprietary) and shall include one designated place of business	100	00

		$	¢
Entertainment			
Cinema	For each person carrying on business and shall include one designated place of business.	120	00
Manufacturing and Processing			
Blenders, Rectifiers and Bottlers of Alcoholic Beverages	For each person carrying on business and shall include one designated place of business	100	00
Manufacturers of Aerated Waters	do	.. 50	00
Manufacturers (general)	do	25	00
Night Clubs and Casinos			
Night Club		200	00
Casino		500	00

I assent,

M. P. ALLEN

Acting Governor.

24th April, 1972.

SAINT CHRISTOPHER, NEVIS AND ANGUILLA.

No. 7 of 1972.

AN ACT to provide for the imposition and collection of a tax from persons engaged in trades or other business in the State to be computed in proportion to the extent of the trade carried on or of the business done and for matters incidental thereto or connected therewith.

(By Proclamation)

Commencement.

Be it enacted by the Queen's Most Excellent Majesty by and with the advice and consent of the House of Assembly of Saint Christopher, Nevis and Anguilla and by the authority of the same as follows:–

Short title and Commencement.

1. This Act may be cited as the Turnover Tax Act, 1972 and shall come into operation on a day to be appointed by the Governor by Proclamation published in the *Gazette*.

Interpretation.

2. (1) In this Act –

"Gross takings" or "turnover" means all receipts, cash or accrued, of the taxpayer for services or derived from engagement in any trade or business or profession, commerce or sales and the proceeds arising from the sale of personalty or services or both, including rents, fees and other charges, however designated, without any deduction on account of the cost of materials used, labour costs, taxes, interest or discount paid, or any business expenses whatsoever: Provided that the term gross takings or turnover shall not include money of the customers of a business received by such business for the purpose of investment or to be dealt with

LICENCES ON BUSINESS & OCCUPATIONS ACT

		$
Travel & Ticket Agent	- For each person carrying on business and shall include one designated place of business	200
Real Estate Agent or Commission Agent or General Agent or Auctioneer	do.	200
Medical Doctors	For each person carrying on business	500
Chemists and Druggists	do.	200
Dentists	do.	250
Optometrists	do.	250
Lawyers	do.	500
Consultants	do.	400
Construction Contractors	do.	350
Engineers	do.	250
Electricians	do.	50
Architects	do.	350
Surveyors	do.	350
Draftsman	do.	150
Firm of Accountants	do.	1000
Accountants (Public)	do.	200
Accountants (Certified or chartered)	do.	450
Radio, T.V. & Refrigerator Repairers	do.	400
Repairers of electrical appliances (other than radios and T.V. sets)	do.	120
Mechanics & Vehicle Repairers	do. and shall include one designated place of business	100
Gasolene Stations	do.	200
Bakeries	do.	70
Dry Cleaning & Commercial Laundry	do.	60
Car Rental by Day, Week or Month up to 10 Vehicles	do.	100
More than ten (10) Vehicles	do.	200
Importers of goods for resale	do.	200
Printing & Publishing business (including Newspapers)	do.	100
Photographic Studio	do.	50
Retail Shops & Stores (except liquor)	do.	100
Funeral Undertakers	do.	100
Wholesale Business (except liquor)	do.	200
Importers of Radios and Parts for Radio Repairs for sale	do.	500

		$
Coffee Shop & Ice Cream Parlour	do.	100
Hotels & Guest Houses		
(a) more than 40 beds		600
(b) more than 10 beds		200
(c) 10 beds or less		50
Restauarant		20
Clubs, other than clubs found solely for the purpose of outdoor games or sport	For each club (members or proprietary) and shall include one designated place of business	250
Cinema	For each person carrying on business and shall include one designated place of business	300
Blenders, Rectifiers and Bottlers of Alcoholic Beverages	do.	500
Manufactures of Aerated Waters		NIL
Manufacturers (general)		150
Manufacturers liable to consumption tax		NIL
Night Club		500
Casino in addition to the concession fee and casino licence		1200
Importers of Vehicle for resale		600
Importers of T.V. Sets and parts for T.V. repair for resale		600
Small Shop or Store		2.40

LICENCES ON BUSINESS & OCCUPATIONS ACT

		$
Travel & Ticket Agent	- For each person carrying on business and shall include one designated place of business	200
Real Estate Agent or Commission Agent or General Agent or Auctioneer	do.	200
Medical Doctors	For each person carrying on business	500
Chemists and Druggists	do.	200
Dentists	do.	250
Optometrists	do.	250
Lawyers	do.	500
Consultants	do.	400
Construction Contractors	do.	350
Engineers	do.	250
Electricians	do.	50
Architects	do.	350
Surveyors	do.	350
Draftsman	do.	150
Firm of Accountants	do.	1000
Accountants (Public)	do.	200
Accountants (Certified or chartered)	do.	450
Radio, T.V. & Refrigerator Repairers	do.	400
Repairers of electrical appliances (other than radios and T.V. sets)	do.	120
Mechanics & Vehicle Repairers	do. and shall include one designated place of business	100
Gasolene Stations	do.	200
Bakeries	do.	70
Dry Cleaning & Commercial Laundry	do.	60
Car Rental by Day, Week or Month up to 10 Vehicles	do.	100
More than ten (10) Vehicles	do.	200
Importers of goods for resale	do.	200
Printing & Publishing business (including Newspapers)	do.	100
Photographic Studio	do.	50
Retail Shops & Stores (except liquor)	do.	100
Funeral Undertakers	do.	100
Wholesale Business (except liquor)	do.	200
Importers of Radios and Parts for Radio Repairs for sale	do.	500

		$
Coffee Shop & Ice Cream Parlour	do.	100
Hotels & Guest Houses		
(a) more than 40 beds		600
(b) more than 10 beds		200
(c) 10 beds or less		50
Restauarant		20
Clubs, other than clubs found solely for the purpose of outdoor games or sport	For each club (members or proprietary) and shall include one designated place of business	250
Cinema	For each person carrying on business and shall include one designated place of business	300
Blenders, Rectifiers and Bottlers of Alcoholic Beverages	do.	500
Manufactures of Aerated Waters		NIL
Manufacturers (general)		150
Manufacturers liable to consumption tax		NIL
Night Club		500
Casino in addition to the concession fee and casino licence		1200
Importers of Vehicle for resale		600
Importers of T.V. Sets and parts for T.V. repair for resale		600
Small Shop or Store		2.40

FEDERATION OF SAINT CHRISTOPHER AND NEVIS

ISLAND OF SAINT CHRISTOPHER

THE COMPANIES ACT CAP. 335

A PRIVATE COMPANY LIMITED BY GUARANTEE

MEMORANDUM OF ASSOCIATION

OF

FOUNDATION FOR NATIONAL DEVELOPMENT (ST. KITTS-NEVIS) LIMITED

1. The name of the Company (hereinafter called "the Foundation") is the Foundation For National Development (St. Kitts-Nevis) Limited.

2. The registered office of the Foundation will be situated at Central Street, Basseterre, St. Kitts in the Federation of St. Christopher and Nevis.

3. The objects for which the Foundation is established are:

   1. (a) To promote the development of a broad based private sector by inter alia providing loans and/or grants or by guaranteeing loans made through the normal credit sources in St. Kitts Nevis to small independent business ventures, which would not otherwise qualify for financing from normal credit sources and to provide related technical assistance.

      (b) To mobilize and co-ordinate available resources by the raising of money and other resources from the local business community and other local sources and grants and/or loans from overseas sources and to utilize such resources to achieve the purpose stated at paragraph 1(a).

      (c) To encourage and advance scientific, educational, economic and social development in St. Kitts-Nevis.

      (d) To sponsor, support and conduct any project or programme in any area of activity that will promote the purposes stated in (a) and (b).

(e) To provide, furnish and fit out with all necessary furniture and other equipment, and maintain and manage such buildings and other premises as may from time to time be required for the purposes of the Foundation.

(f) To employ all such persons as may be required for the purposes of the Foundation.

(g) To purchase or otherwise acquire lands for any estate or interest.

(h) To build and maintain buildings (whether or not required for occupation for the purposes of the Foundation) and alter and improve the same including any existing buildings and to provide the same with light, water, drainage and all other necessaries.

(i) To let as residences, offices or otherwise any part or parts of land or buildings and in such divisions and manner as may be expedient.

(j) To raise money for any of the above purposes by mortgaging or charging all or any such property as may legally be mortgaged or charged with capital sums or with terminable annuities for lives or years.

(k) To accept subscriptions and donations (whether of real or personal estate) and devises and bequests for all or any of the purposes aforesaid and to sell and dispose of, to lease and accept surrenders of leases of and manage all real estate (including leaseholds) so received and not required to be or capable of being occupied for the purposes of the Foundation and generally to manage, invest and expend all monies belonging to the Foundation.

2. To invest the monies of the Foundation not immediately required for its purposes in or upon such investments, securities or property as may be thought fit, subject nevertheless to such conditions (if any) as may for the time being be imposed or required by law and by the donors of such monies and subject also as hereinafter provided.

3. To do all such other things as are incidental or conducive to the attainment of the above objects or any of them -

PROVIDED THAT:

(1) In case the Foundation shall take or hold any property which may be subject to any trusts, the Foundation shall only deal with or invest the same in such manner as allowed by law, having regard to such trusts.

(11) The Foundation shall not support with its funds any object or endeavour to impose on or procure to be observed by its members or others, any regulation, restriction or condition which if an object of the Foundation would make it a trade union.

(111) The Foundation shall not support with its funds or otherwise, any political or affiliated political organisation.

4. The income and property of the Foundation, whencesoever derived, - shall be applied solely towards the promotion of the objects of the Foundation as set forth in this Memorandum of Association, and no portion thereof shall be paid or transferred directly or indirectly, by way of dividend, bonus or otherwise howsoever by way of profit, to the members of the Foundation.

PROVIDED THAT nothing herein contained shall prevent the payment, in good faith, of reasonable and proper remuneration to any officer or employee of the Foundation, or to any member of the Foundation, in return for any services actually rendered to the Foundation, nor prevent the payment of reasonable and proper rent for premises demised or let by any member to the Foundation; but so that no member of the Board of Trustees of the Foundation shall be appointed to any salaried office of the Foundation of any office of the Foundation paid by fees, and that no remuneration or other benefit in money or money's worth shall be given by the Foundation to any member of such Board of Trustees, except re-payment of out-of-pocket expenses or reasonable and proper rent for premises demised or let to the Foundation.

5. The liability of the members is limited.

6. Every member of the Foundation undertakes to contribute to the assets of the Foundation, in the event of the same being wound up while he is a member, for payment of the debts and liabilities of the Foundation contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding $10.00.

7. If upon the winding up or dissolution of the Foundation there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Foundation, but shall be given

or transferred to some other institution or institutions having objects similar to the objects of the Foundation, and which shall prohibit the distribution of its or their income and property among its or their members by virtue of clause 4 hereof, such institution or institutions to be determined by the members of the Foundation at or before the time of dissolution, and if so far as effect cannot be given to such provision, then to some charitable object.

WE, the several persons whose names and addressess are subscribed hereto are desirous of being formed into a company in pursuance of this memorandum of association.

NAMES ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS

NAMES	ADDRESSES	DESCRIPTIONS
John Miller	Royal Bank of Canada	Trustee
H. Mc Eachrane	C.I.C. St. Kitts/Nevis	Trustee
S. Howell	Nevis Chamber of Commerce	Trustee
F. Gordon	Small Business Association	Trustee
J. Fleming	Ministry of Finance	Trustee
E. Pollard	Barclays Bank	Trustee
Roy O'Neale	Bank of Nova Scotia	Trustee
J. Pistaina	S.K.N. National Bank	Trustee
A. Hector	Development Bank	Trustee
M. Hodge	Nevis Chamber of Commerce	Trustee
A. Kelsick	St. Kitts/Nevis Manufacturer's Association	Trustee
Rev. John Gumbs	Council of Churches	Trustee

		$	¢
Real Estate Agent or Commission Agent or General Agent or Auctioneer	For each person carrying on business and shall include one designated place of business	50	00

Trades and Professions

Medical Doctors	For each person carrying on business	200	00
Chemists and Druggists	do	50	00
Dentists	do	100	00
Optometrists ..	do	100	00
Lawyers	do	175	00
Consultants	do	175	00
Construction Contractors	do	150	00
Engineers	do	100	00
Electricians ..	do	20	00
Architects	do	150	00
Surveyors	do	150	00
Draftsmen	do	50	00
Accountants (Public) ..	do	75	00
Accountants (Certified) or (Chartered) ..	do	150	00
Radio, Television and Refrigerator Repairers	do	50	00
Mechanic and Vehicle Repairers	For each person carrying on business and shall include one designated place of business	30	00

Commercial

Gasoline Stations ..	For each person carrying on business and shall include one designated place of business	50	00
Bakeries	do	35	00

		$	¢
Dry Cleaning and Commercial Laundry	For each person carrying on business and shall include one designated place of business	30	00
Car Rental By Day, Week or Month up to 10 Vehicles	do	30	00
More than 10 Vehicles	do	50	00
Importers of Goods for resale	do	50	00
Printing and Publishing Business (including newspapers) ..	do	25	00
Photographic Studio ..	do	10	00
Retail Shops and Stores (except liquor) ..	do	25	00
Funeral Undertakers ..	do	25	00
Wholesale Business (except liquor)	do	75	00

Hotels and Restaurants

Coffee Shop and Ice Cream Parlours	For each person carrying on business and shall include one designated place of business	25	00
Hotels and Guesthouses			
(a) more than 40 beds		150	00
(b) more than 10 beds		50	00
(c) 10 beds or less		25	00
Restaurant		10	00

Clubs

Clubs, other than clubs formed solely for the purpose of outdoor games or sport	For each club (members or proprietary) and shall include one designated place of business	100	00

		$	¢
Entertainment			
Cinema	For each person carrying on business and shall include one designated place of business	120	00
Manufacturing and Processing			
Blenders, Rectifiers and Bottlers of Alcoholic Beverages	For each person carrying on business and shall include one designated place of business	100	00
Manufacturers of Aerated Waters	do	50	00
Manufacturers (general)	do	25	00
Night Clubs and Casinos			
Night Club		200	00
Casino		500	00

I assent,

LS

M. P. ALLEN
Acting Governor.
24th April, 1972.

SAINT CHRISTOPHER, NEVIS AND ANGUILLA.

No. 7 of 1972.

AN ACT to provide for the imposition and collection of a tax from persons engaged in trades or other business in the State to be computed in proportion to the extent of the trade carried on or of the business done and for matters incidental thereto or connected therewith.

(By Proclamation) Commencement.

Be it enacted by the Queen's Most Excellent Majesty by and with the advice and consent of the House of Assembly of Saint Christopher, Nevis and Anguilla and by the authority of the same as follows:—

1. This Act may be cited as the Turnover Tax Act, 1972 and shall come into operation on a day to be appointed by the Governor by Proclamation published in the *Gazette*. Short title and Commencement.

2.(1) In this Act — Interpretation.

"Gross takings" or "turnover" means all receipts, cash or accrued, of the taxpayer for services or derived from engagement in any trade or business or profession, commerce or sales and the proceeds arising from the sale of personalty or services or both, including rents, fees and other charges, however designated, without any deduction on account of the cost of materials used, labour costs, taxes, interest or discount paid, or any business expenses whatsoever: Provided that the term gross takings or turnover shall not include money of the customers of a business received by such business for the purpose of investment or to be dealt with

LICENCES ON BUSINESS & OCCUPATIONS ACT

		$
Travel & Ticket Agent	- For each person carrying on business and shall include one designated place of business	200
Real Estate Agent or Commission Agent or General Agent or Auctioneer	do.	200
Medical Doctors	For each person carrying on business	500
Chemists and Druggists	do.	200
Dentists	do.	250
Optometrists	do.	250
Lawyers	do.	500
Consultants	do.	400
Construction Contractors	do.	350
Engineers	do.	250
Electricians	do.	50
Architects	do.	350
Surveyors	do.	350
Draftsman	do.	150
Firm of Accountants	do.	1000
Accountants (Public)	do.	200
Accountants (Certified or chartered)	do.	450
Radio, T.V. & Refrigerator Repairers	do.	400
Repairers of electrical appliances (other than radios and T.V. sets)	do.	120
Mechanics & Vehicle Repairers	do. and shall include one designated place of business	100
Gasolene Stations	do.	200
Bakeries	do.	70
Dry Cleaning & Commercial Laundry	do.	60
Car Rental by Day, Week or Month up to 10 Vehicles	do.	100
More than ten (10) Vehicles	do.	200
Importers of goods for resale	do.	200
Printing & Publishing business (including Newspapers)	do.	100
Photographic Studio	do.	50
Retail Shops & Stores (except liquor)	do.	100
Funeral Undertakers	do.	100
Wholesale Business (except liquor)	do.	200
Importers of Radios and Parts for Radio Repairs for sale	do.	500

Coffee Shop & Ice Cream Parlour	do.	1C
Hotels & Guest Houses		
(a) more than 40 beds		6C
(b) more than 10 beds		2C
(c) 10 beds or less		5
Restauarant		2
Clubs, other than clubs found solely for the purpose of outdoor games or sport	For each club (members or proprietary) and shall include one designated place of business	25
Cinema	For each person carrying on business and shall include one designated place of business	3C
Blenders, Rectifiers and Bottlers of Alcoholic Beverages	do.	5C
Manufactures of Aerated Waters		NI
Manufacturers (general)		15
Manufacturers liable to consumption tax		NI
Night Club		50
Casino in addition to the concession fee and casino licence		120
Importers of Vehicle for resale		60
Importers of T.V. Sets and parts for T.V. repair for resale		60
Small Shop or Store		

CIC/001/85

24th January, 1985.

Mr. D. O'Connor,
Partnership for Productivity International,
c/o St. Kitts Nevis Chamber of Industry & Commerce.

Dear Dan,

I apologise for the delay in writing. Please find enclosed copy of recent speech by Dr. Simmonds, Prime Minister, dealing with the difficulties of the current state of affairs of the sugar industry and the virtually murderous blow of the U.S. quota reduction.

As discerned, there is strong disappointment over the reduction which is tiny in the world or U.S.A. scale, but monumental in the local scale. Disressingly, this appears paradoxical as recent U.S. government official concern for the tiny Caribbean economies, particularly a highly publicised effort to stimulate and derive benefits from the C.B.I.

This failure causes untold confusion and mistrust among the local populace and immediately affects local trade prospects, generally casting a gloomy pall on the local economy. It is particularly disconcerting to the small local businessman whose strength relies mainly on local spending power - in this arena the placing of scant capital resource into risky diversification/new ventures is highly unlikely.

Your research into and resulting concern for the small business operation and projects will undoubtedly have made you aware of the above remarks of which the Chamber is painfully aware and seeking means to keep the economy active. We hope you will be a position to make strong remommendations which will result in encouraging development of the local effort.

Yours sincerely,
ST. KITTS NEVIS CHAMBER OF INDUSTRY & COMMERCE

H. N. McEachrane,
Chairman - Economic Affairs Committee

HNME/as

THERE ARE BRIGHTER DAYS AHEAD FOR OUR SUGAR INDUSTRY

SO SAYS THE RT. HON. DR. KENNEDY SIMMONDS, PRIME MINISTER OF ST. KITTS & NEVIS IN A BROADCAST TO THE NATION ON THE START OF THE 1985 SUGAR CROP.

(Full Text Below)

I address you tonight on the most important subject of the 1985 Sugar Crop. We look towards the 1985 sugar harvest at a time of extreme depression in the Sugar Industry worldwide, and of great economic difficulties being experienced by small nations in our region and indeed throughout the world.

The fluctuating fortunes of sugar are well known to each and every one of you.

1. The World Market Price was so favourable in the 1970's that the Government of the day turned its back on our traditional buyers who kept our Industry afloat, to seek supposedly greener pastures elsewhere. Today that World Market Price is at its lowest, about 4.5cUS per lb.

2. The Pound Sterling for which we used to get $6.00 EC in 1980 sank to its lowest level of $2.99 this week, on Tuesday 15th January, 1985.

3. The disastrous trend in the fortunes of sugar has culminated recently in a 25% reduction of the quota which we are permitted to sell into the U.S.A. Instead of being able to sell 16,000 tons at a price of 12½ U.S. per lb. we are only permitted to sell 12,500 tons. This will result in a net loss of almost 5 Million Dollars to the Industry.

4. NACO has never made one penny of profit since it was started in 1975, and the continued extraction of the Sugar Levy by the Administration prior to 1980 helped to sink the Corporation deeper into debt. That debt is still ever present. NACO does not have money, it owes money. The SSMC does not have money, it owes money.

It is ironic that the same people who raped the Sugar Industry and left it desolate should now be claiming that it should extract BLOOD from STONE and pay fantastic increases.

THE SPECIAL FUNDS

In 1982, it was agreed by Government, NACO, SSMC and the St. Kitts Nevis Trades and Labour Union that the Industry definitely could not afford any increases, and therefore 3 Million Dollars should be withdrawn from The Special Funds to pay certain increases in wages and bonuses afterwards. The same union turned around and asked where the money had gone and who gave authority to remove the money from the Funds.

The reason for using those Funds then, was because there was no money available from any other source. Now that we have drawn the water, we cannot go back to the same well. Let me say further, that what is left cannot be considered in the context of paying increases, it may be needed merely to keep the wage levels where they are now

In all this adversity facing the Sugar Industry, my Government has performed miracles of every kind in order to preserve your jobs in this troubled Industry. OUR PHILOSOPHY, REPEATED TIME AND OFT, HAS BEEN, WHEN THERE WAS PLENTY WE GAVE GENEROUSLY, AND ASKED YOU TO REMEMBER, SO THAT WHEN THERE WOULD BE LITTLE, YOU WOULD UNDERSTAND AND MORE WILLINGLY TO PRESERVE BOTH YOUR JOBS AND THE INDUSTRY FOR BETTER TIMES WHICH WILL SURELY COME.

COST OF LIVING

In the meantime, my Government has been doing everything in its power to keep the cost of living under control We are happy to remind you that in recent times we have seen price reductions in some significant items:

On 15th January 1985. GASOLENE was reduced from $4.69 per gallon to $4.59 per gallon. KEROSENE was reduced from $3.81 per gallon to $3.60 per gallon. LPG or COOKING GAS was reduced from $114.29 for 100 lb cylinder to $109.86 and 20 lb cylinder from $22.50 to $21.97.

In February 1984. A large tin of MILK was reduced from $1.36 to $1.20 and a further reduction is expected later this year.

On 21st November 1984 The price of CEMENT was reduced from $16.58 per bag to $13.16 per bag. The latter of course would assist greatly in reducing the cost of building and repairing.

You can be assured that wherever it is possible Government will endeavour to pass on price reductions to you, the Consumers.

FINANCIALLY IMPOSSIBLE

In respect of the 1985 Crop, The St. Kitts Nevis Trades and Labour Union asked for a 25% increase in wages, plus increases in all the bonuses which were paid in 1984. Every Sugar Worker and moreover, every Citizen knows that with the Sugar Industry here and worldwide facing such depression, it is financially impossible even to entertain such a request.

NACO and SSMC had no choice but to deny such a request from The Trades and Labour Union, and the matter was referred to the Labour Commissioner who, unable to resolve the issue, referred it to the Minister of Labour. The Minister gave the commitment that in spite of the grave financial situation of the Industry, there would be no reduction in wages as the Government was prepared to ensure that the 1984 level of wages and bonuses would be maintained. The Union Representatives welcomed this assurance, and we should therefore be able to start the 1985 Crop in complete accord.

NO MONEY

To be perfectly frank, NACO and SSMC have no money even to start the Crop. However, as we have done in the past, the Government will ensure that the Crop can start and proceed to a successful conclusion, so that you can get work, and money to feed your families. There is no money available for any increase in wages or Goat Water this year. Last year's Goat Water was paid from money borrowed from the Republic of China. That money has to be repaid. However, the Government is prepared to guarantee your wages at the same level as 1984. We will also maintain the incentive bonus of $1.00 per ton as before. You will receive, as before, the 7% End Of Crop Bonus, the 3½% Dull Season Bonus, and a 7% Christmas Bonus.

11 MILLION DOLLARS

This package will cost us close to 11 Million Dollars. When you consider that the total Budget to run the whole country for the entire year, including providing Water, Electricity, Telephones, Roads, Schools, Health and Sanitation Services, paying Civil Servants and other Workers, all of that is 358 Million Dollars, and the Budget for paying Sugar Workers alone is 11 Million Dollars, then you can see that Sugar Workers are highly regarded and have been well provided for in the context of our resources and total economy.

The 1985 Crop will start on Monday 21st January. Let me stress that it is absolutely essential that the Crop gets an early and effective start this year. Easter comes on the 7th April i.e. earlier than last year. It is in the best interests of all of us that most of the Crop be reaped before Easter. You are aware that the longer the cane remains in the field, the less sugar it yields and the greater are the losses. Your jobs depend on keeping those losses to a minimum. You know also that you can increase your individual earnings by working harder and increasing your level of production.

BRIGHTER DAYS AHEAD

Let me assure you that THERE ARE BRIGHTER DAYS AHEAD FOR OUR SUGAR INDUSTRY. We have signed Agreements for the establishment of an Alcohol Factory, and for the production of electricity on a National scale from Bagasse. These two projects which use by-products of sugar will therefore help to improve the revenue of the existing Sugar Industry. In addition, as you were told during the Budget Address, we are putting in motion a long-term Plan for the rehabilitation of the Industry. Finally, our Programme of opening new Agricultural Land, and providing assistance to Farmers will continue to provide you with additional opportunities to increase your earning power.

Let me remind you - the Crop will start on Monday 21st January. Your wages will NOT be reduced but will be at the same rate as 1984. In addition you will continue to receive:-

- Incentive Bonus for cane cut after Easter
- 7% End Of Crop Bonus
- 3½% Dull Season Bonus
- 7% Christmas Bonus.

Fellow Citizens, when there was much, we gave generously. Now there is nothing, we still manage to find a way to provide you with a livelihood. There is money to be earned for yourselves, there is an Industry to be preserved for your children, and there is a Nation to be built for future generations. The Nation is ours. Let us build and preserve it. GOD BLESS YOU.

CELEBRATE PAM'S 20TH ANNIVERSARY...
27TH JAN — 10TH FEB.

ST. CHRISTOPHER & NEVIS

APPLICATION

UNDER THE FISCAL INCENTIVES ACT NO. 17, 1974

NOTE:

(a) Application should be forwarded to the
Minister of Trade, Industry and Development
P. O. Box 186
Basterre, St. Kitts

with a copy to the
Chairman
Development Bank of St. Kitts & Nevis
Church Street
Basseterre, St. Kitts

(b) Only Companies Incorporated and Registered in St. Kitts and Nevis may be granted approved status.

(c) Production of the Approved Product(s) shall not be later than eighteen (18) months after the first publication of the Fiscal Incentives Order in the Gazette.

(d) All currency to be quoted in East Caribbean Dollars.

(e) Provide complete answers to all questions.

(f) A copy of Company's Memorandum and Articles of Association to be forwarded along with relevant documents supporting answers given, and any necessary attachments.

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ST. CHRISTOPHER AND NEVIS

(Give detailed answers to all questions)

A. INCENTIVES SOUGHT

1. Tax Holiday.....

2. Waiver of Customs Duties.....

3. Export Allowances.....

4. Other (Please Specify).....

B. IDENTIFICATION

1. Name of Company.....

2. Registered Address.....

3. Date of Registration.....

4. If Company has not been registered, give proposed name, address and date of registration at (1, 2, & 3).

5. Is Company subsidiary or successor of another Company?

.....

(a) If so, give name and address of Parent Company or former Company

.....

.....

.....

(b) Give nature of business carried on by Parent Company or former company

.....

.....

(c) Is Parent Company or Former Company owned or controlled by citizens of:

(i) St. Kitts/Nevis.....

(ii) Other CARICOM (Specify).....

(iii) U.K. .....

(iv) Other (Specify).....

6. How many Directors does (will) the company have?.....

7. Give names, nationalities and domiciles of Chairman, Managing Director, other Directors and Company Secretary.

.....

.....

.....

8. Do the named Directors have investments in any other enterprise?

.....

If yes, give:

NAME	ENTERPRISE	NATURE OF BUSINESS	LOCATION

9. Have any persons associated with this application been involved with any similar project in the Caribbean Common Market (CARICOM)?

.....

If so, give particulars

.....

.....

.....

.....

C. FINANCE

1. Company's Share Capital

(a) Nominal or Authorised

No..... Value.....

(b) Issued (or to be issued to commence production).....

(c) Paid-up

No. ..... Value.....

(d) Countries in which shares will be/have been issued

.....

.....

2. Give names, nationalities, domiciles of shareholders and proportion of Issued Share Capital held/to be held by each.

NAME	NATIONALITY	DOMICILE	ISSUED SHARES	
			No.	Value

3. Give Capital to be obtained from:

   (a) Debentures

   Value..... Sources.....

   (b) Commercial Bank Loan

   Value..... Sources.....

   (c) Other (Specify)

   Value..... Sources.....

4. If Enterprise is a Subsidiary of another Company, give proportion of Issued Share Capital taken up by Parent Company.

   No. .....Value.....

5. Give amount of capital invested or to be invested in approved operations:

	To Date	Expected at end of 1st/2nd yrs. of operation
(i) Land	$.....	.....
(ii) Buildings/ Leasehold Improvements	.....	.....
(iii) Machinery & Equipment	.....	.....
(iv) Other Fixed Assets	.....	.....
(v) Net Working Capital	.....	.....
(vi) Other	.....	.....
TOTAL	$	$

6. Give Estimates of Dividends and other distribution of earnings to be made during tax holiday period to:

   (i) St. Kitts/Nevis Nationals.....

   (ii) Other CARICOM Nationals (specify).....

   .....

   (iii) Other (specify).....

7. Give Estimates of any Royalties, Interest, Management and Patent Charges to be made :-

   (a) In CARICOM countries.....

   (b) Outside CARICOM.....

D. OPERATIONS

1. Is factory building already available? .....

   If not, give date on which construction will begin.....

2. Give general description, size and location of factory.....

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.....

.....

3. Give date production is to begin or has begun.....

.....

4. Give technical description of manufacturing process involved

.....

.....

.....

.....

5. Give detailed description of products for which approved status is being sought.

.....

.....

.....

6. Is approved status being sought for the company's entire operation?

.....

If not, give particulars of other operations which the company may carry out

.....

.....

.....

.....

7. In respect of Plant and Equipment to be used give -

ITEM	QUANTITY	VALUE	SOURCE	CONDITION

8. With respect to raw materials, ~~components, packaging~~ materials, fuels, etc. (to be used) give:

Item	Source	Year 1		Year 2	
		Quantity	Value	Quantity	Value

E. PRODUCTION VOLUME AND DISPOSAL

1. State Estimated Annual Output (Ex-factory) of approved products:

Products	Year 1		Year 2	
	Quantity	Value	Quantity	Value
TOTAL				

2. Do you plan to export any of your products?.....

If so, give estimates:

Product	Country	Year I		Year II	
		Quantity	Value F.O.B.	Quantity	Value F.O.B.
TOTAL					

3. Give Estimates of Exchange of Ex-factory Cost and Ex-factory price of each individual product:

Product	Year I Per Unit Ex-Factory		Year II Per Unit Ex-Factory	
	Cost	Price	Cost	Price

4. Give estimated annual depreciation charge on:

Plant, Machinery, Equipment and Spare Parts .....

.....

.....

.....

.....

.....

F. EMPLOYMENT AND WAGES

1. Do you require work permits for workers? .....

If so, give:

Category of Worker	Nationality	Name

2. Give details of your proposed programme for training local person

.....

.....

.....

.....

.....

3. What special skills does the management of the proposed factory possess in the particular line of production? .....

.....

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.....

.....

F. EMPLOYMENT AND WAGES

(4) Give Data on proposed employment as per the following:

Category of Worker	Initial Stages of Production (i.e. Years I & II)				Maximum Production Stage		
	St. Kitts/ Nevis	Other Caricom	Other	Total	St. Kitts/ Nevis	Other Caricom	Total
TOTAL							

(5) Give Data on proposed wages, salaries and other payments as per the following:

Category of Worker	Initial Stages of Production (Years I & II)				Maximum Production Stage		
	St. Kitts/Nevis	Other Caricom	Other	Total	St. Kitts/ Nevis	Other Caricom	Total
TOTAL							

G. SPECIAL REQUIREMENTS

1. List requirements for:

   (a) Utilities

   (b) Communications

   (c) Waste Disposal

2. Has assistance been sought from the St. Kitts-Nevis Development Bank?

   .....

   .....

   .....

   .....

   .....

   .....

Name of Applicant .....

Signature of Applicant.....

On behalf of .....

Address of Applicant .....

.....

Telephone Number.....Date.....

I. BACKGROUND INFORMATION

(a) Name of individual/company

_____

_____

(b) Address:

Business _____

Telephone _____ Telex _____ Cable _____

_____

Home _____

_____

Telephone _____

(c) Name of principal shareholders, if company

_____

_____

_____

(d) Name and address of banker

_____

_____

II. PROJECT

(a) Brief project description

_____

_____

_____

(b) Proposed location of project

_____

_____

(iv) Permission to purchase land

(b) Concession (fiscal incentives)

(c) Industrial Park Facilities

(d) Special Energy Requirements

(e) Market Protection

(i) Local

(ii) CARICOM

(f) Import/Export Licence

(g) Work Permits

(h) Financing

(i) Equity Participation

(j) Price Control Terms

(k) Repatriation of Funds

(l) Others:

(Please specify precisely)

_____

_____

_____

_____

LABOUR IN ST. KITTS/NEVIS

Availability and Types of Labour:

St. Kitts-Nevis has alarge supply of adaptable, trainable labour many who possess a high degree of manual dexterity. The technical education and training needs of the State are served by the St. Kitts Technical College. The main courses offered include: plumbing, electrical installation, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, shorthand, typing and basic hotel work.

The size of the total labour force is approximately 20,000. Total employment by sector is distributed as follows:

Agriculture	49.8%
Industry	29.9%
Services	20.4%

Minimum Wages:

St. Kitts has minimum wage laws for two categories of employees, domestic servants and employees of retail shops. The schedule is as follows:

Occupation	Minimum Wage (U.S. Dollars)
Domestic Servants (full time)	$0.56 per hour (minimum of $20.37 per week)
Domestic Servants (part time)	$0.61 per hour (minimum of $16.67 per week)
Retail Employees	
Shop Assistants	$29.63 per week
Student and/or Temporary Help	$14.82 per week
Messengers/Storeboys	$18.52 per week
Counter Clerks	$29.63 per week
Cashiers	$37.04 per week
Supervisors	$48.15 per week
Probationary Clerks	$23.70 per week - during th first six weeks of employm

Average Wages

Position	Weekly Wage Rate (U.S. Dollars)
Unskilled Farm Labourer	$0.67/Hr. (male) $0.47/Hr. (female)
Unskilled Building Labourer	$45 to$58/Wk.
Truck Driver	$44 to $57/Wk.
Mason or Carpenter	$80/Wk.
Machine Operator	$27
Automobile Mechanic	$68/Wk.
Semi-skilled Assembly or Garment Worker	Trainee $0.52/Hr. Trained $0.67/Hr.
Hotel Waiter	$17 plus service charge
Shorthand Typist	$207.41 to $375/Month
Clerk	$185.19/Month
Hotel Receptionist	$22.22 to $40/Wk.

A normal working day is 8 hours. Wage rates vary considerably from firm to firm. Wages for new production employees are generally establish with the initial payment rates on a trial employment basis, and are generally raised in three-month intervals during the training period.

Overtime	1½ times the normal wage for work in exceed of 42 hours per week or 7 hours per day. Double time for Sundays and holidays.
Vacation Time	Every worker having been employed for one year earns an annual paid holiday of not less than fourteen days, exclusive of Sundays and public holidays

A "year of employment" varies depending on the type of work:

For agricultural works it is at least 126 days.

For all other workers, at least 238 days for those working on a weekly, fortnightly, monthly or yearly basis; and at least 154 days for those working on an hourly, daily or piece-work basis.

Labour Organizations:

Union	Membership
St. Kitts	
St. Kitts-Nevis Trades and Labour Union	7,600
Waterfront Airport and General Workers Union	NA
United Workers Union	NA
Nevis	
Waterfront and Allied Works Union	NA

Labour Negotiations:

Wage contracts have an average duration of about one year. When contracts are negotiated, the union with 51 percent of the workers in the particular industry is recognized by the employers Federation is available to advise management in labour negotiations. Every worker must be insured and that insurance registered with the labour commissioner.

Work Permits:

Executive and technical personal may be brought in after obtaining a work permit from the Ministry of Home and Foreign Affairs.

A DOZEN REASONS WHY

TO INVEST IN

ST. KITTS - NEVIS

The Government of the State of St. Kitts-Nevis is making a determined bid to attract foreign private investment into the country. This effort is fully supported by our private sector, which is participating in it through the Chamber of Industry and Commerce and its related Manufacturers Association. We offer a healthy investment climate and the opportunity to make unusual profits. Industrial estates have been established and infrastructure expanded to help manufacturers succeed.

To insure this we offer:

1. POLITICAL STABILITY

A stable political environment, with a government committed to democratic parliamentary rule with a free enterprise system.

2. A GROWING ECONOMY

St. Kitts-Nevis overall economic growth in real terms has been positive since 1977; with growth in the manufacturing sector exceeding 10% and tourism exceeding [illegible]% per year on average. Investors have the opportunity to participate in this growth, and supply either or both the offshore and the domestic regional markets.

3. FRIENDLY EASILY TRAINED PEOPLE

Our work force is made up of friendly, easily trained and adaptable people, possessing a high degree of manual dexterity. Present manufacturers have found their learning curve to each USA output and quality standards compare favourably with that of other countries. Currently average production worker efficiency in established operations is 85% US Standard Output in Testiles and 95% Standard Output in electronics. Wage rates are low and tied to productivity, averaging US$0.62 per hour in textiles, and somewhat higher in electronics.

4. FREQUENT GOOD AIR AND SEA CARGO SERVICE

Five air freight carriers provide weekly scheduled service between St. Kitts-Nevis and New York City, Miami, San Juan; and there are five ad hoc or charter air cargo air lines serving St. Kitts, the USA, Puerto Rico, and the Caribbean States. PANATLANTIC provides RO/RO service every 12 days between Miami and St. Kitts; and Tropical provided RO/RO service on alternate Fridays between Palm Reach Fla. and St. Kitts. The State is served by other major regional and international shipping lines, typically combination container and general cargo vessels, calling on a monthly basis, linking St. Kitts with the USA, Canda, Europe, and the Far East.

5 NO FOREIGN LANGUAGE TO LEARN

Since English is our language, you will have no difficulty in communicating.

6. LOW LANDED COST IN YOUR MARKET

The combination of low labour costs and high employee productivity, coupled with market proximity and duty exemptions

(tariff items 806.3,807, or G.S.P.) has made the landed cost in the USA (after freight and applicable duty) for production here 30% to 50% or more below that of producing in the USA. President Reagan's Caribbean Basin Initiative will improve this advantage, when enacted, by eliminating US import duty on products other than textiles and footwear. Similar cost savings apply to production delivery to the European Economic Community under the LOME Convention.

7. QUICK LOW COST SET UP

Factory rental space is available for immediate occupancy, with all utilities connected, at US$1.86 per square foot in one of our industrial estates. Or you can build your own plant on an estate site. Land costs are US$448. per acre year, payable monthly. Land and factory costs will be maintained at the same level for five years. Construction cost for factories is currently about US$15. per square foot.

8. SMOOTH FLOW OF OPERATIONS

In our case "small is beautiful" as it permits quick official action to cut through red tape - to guarantee your industry's smooth flow of operation. One organization handles plant infrastructure connections; and one organization coordinates resolution of other issues.

9. LOCAL PRIVATE SECTOR HELP

Our Chamber of Industry and Commerce and its related Manufacturers Association are committed to assisting new investors in the realization of productive successful operations. Management counseling is available through the Chamber and its members are willing to help in your introduction to operations here.

10. EASE OF HEADQUARTER SUPERVISION

Unlike many possible investment locations, we are close to you, just a few hours by air. Direct Travel from Miami is 2½ hours, and from New York 3½ hours. London, and other European connections, are just 7½ hours away. Communication facilities are good as well.

11. INVESTMENT INCENTIVES

100% exemption on corporate income tax for up to 15 years with follow on tax exemptions up to 75% based on the proportion of earnings generated by exports.

12. INVESTMENT PROTECTION

The Government of St. Kitts-Nevis and the USA have an investment Guarantee Agreement. Double taxation agreements exist with the USA, UK, New Zealand, Norway, Sweden, Switzerland, Jamaica, Barbados, Trinidad & Tobago, and Guyana.

I. GENERAL INFORMATION

The islands of St. Kitts and Nevis total 104 square miles (269 square kilometers), and are separated by a two mile strait. They are among the nothernmost Leeward Islands, located about 225 miles southeast of Puerto Rico, 1250 miles from Miami, and about 1500 miles from New York City. Direct air travel from Miami is about 2.5hours and from New York about 3.5 hours. St. Kitts is the abbreviated name for the island officially named St. Christopher. The climate of these verdant islands is tropical, with temperatures averaging 81 degrees Fahrenheidt. There are steady ocean breezes through-out most of the year, and humidity is low. While there is no rainy season, the islands are well watered with annual rainfall in St. Kitts averaging 55 inches, and in Nevis 48 inches.

St. Kitts was discovered by Columbus in 1493; and in 1623 became the first British settlement in the West Indies. St. Kitts and Nevis, originally British Colonies, assumed complete internal control in 1966; remaining associated with the United Kingdom in matters of external defense and foreign relations.

The State's stable democratic Government is patterned after the Westminister model with a single House of Assembly, and a Cabinet of Ministers headed by a Premier which determines policy matters. Universa. franchise is enjoyed by the State's citizens. English common law provides the basis for the legal system.

Regional memberships include: the Caribbean Common Market (CARICOM), the Caribbean Development Bank (CDB), the East Caribbean Common Market (ECCM), the East Caribbean Currency Authority (ECCA), the Organization of Eastern Caribbean States (OECS), and the private sector Caribbean Association of Industry and Commerce (CAIC).

St. Kitts-Nevis has a population of 44,400 (1980 Census) of mainly African descent. The population level has remained stable in size for the past 12 years, primarily due to migration. English is the official language, and the literacy rate is high.

The official currency is the Eastern Caribbean dollar (EC$) which is pegged to the US dollar at the rate of US$ 1.00 = EC$2.70.

II ECONOMIC INDICATORS

Gross National Product in St. Kitts-Nevis was US$48.1 million or US$1083 per capita in 1980. The average annual rate of growth in GDP from 1977 to 1980 was 1.7% in constant prices, levelling out in 1981 and 1982, principally due to adverse world market conditions for the State's principal export (sugar). The decline in sugar revenues was barely offset by improved performance in the other sectors of the econor

Public sector finances weakened in 1981. The current deficit of the Central Government in 1981 was US$0.8 million compared to a surplus in the prior year of US$2.9 million. The main cause of the feficit being a large civil service award which pushed current expenditures up 18% in 1981. The financial situation of the rest of the public sector also deteriorated, bringing the current account deficit of the consolidated public sector to nearly US$3.7 million.

While the State's economy is still dependent largely upon sugar, which represents over 70% of exports and about 15% of GDP, the State is attempting to diversify the economy. Diversification priority is directed not only to agriculture, but very importantly to the developmer of private sector investment in light manufacturing, such as textiles and electronics, and to the development of the tourism industry.

/2...

These sectors have shown rapid growth since 1977, reflecting compound anual GDP growth rates of 10.4% and 22.2% respectively in real terms.

III MANUFACTURING COST FACTORS

Transportation

There is frequent good air passenger service connecting St. Kitts-Nevis with the USA, Puerto Rico, Candad, Europe, and other CARICOM States. A listing of services can be found in the Appendix. There are also frequent good air and sea cargo services. Five air freight carriers provide weekly scheduled services between St. Kitts-Nevis and New York City, Miami, and San Juan, with connections to other cities; and there are five charter air cargo lines serving St. Kitts, the USA, Puerto Rico, and the Caribbean States. RO/RO container service between Florida and St. Kitts is available every 12 and 14 days respectively from two carriers; and the State is served by other major regional and international shipping lines, typically combination container and general cargo vessels, calling on a monthly basis; linking St. Kitts with the USA, Candad, Europe, and the Far East. Specific details can be found in Appendices I and II. The table for air cargo lists minimum service frequency subject to adjustment based on volume. Air cargo rates are not listed as they are subject to negotiations downward from quoted rates such as about US$0.60 per lb. southbound from Miami and US$0.20 per lb. north to Miami on shipments of 1100 lbs. or more. Sea cargo rates are also negotiable.

Roads and Ferry Service

The industrial estates, air and sea ports, and population centres in both St. Kitts and Nevis are connected by good roads and other communications facilities. There are 123 miles (200 km.) of roads on the islands, of which 50% are paved. In addition, there is a 35 mile narrow guage railroad on St. Kitts used for the sugar crop, and tourists off season. Frequent air and sea ferry service link St. Kitts and Nevis.

Airports

St. Kitts

Golden Rock (International) Airport is about one mile from the capital city of Basseterre. It has an 8000 foot runway with night landing facilities. The runway can accommodate large jet aircraft.

Nevis

The runway at Nevis Newcastle Airport is 2500 feet long, and has night landing facilities. At present, the runway can accommodate only light aircraft.

Sea Ports

St. Kitts

There is a deep water port with RO/RO facility in St. Kitts. The port can accommodate ships up to 30 foot draft.

Particulars:

a) a 400 long sheet piled marginal wharf with a minimum of 30 foot depth of water alongside. There are two tractors and a 20 ton mobile crane to handle small container boxes.

b) a 90 foot wide RO/RO facility with berthing dolphins and a minimum water depth of 16 feet.

c) an administration building, transit shed and high mast lighting.

d) a mooring buoy to facilitate berthing of vessels of over 400 ft. and up to 750 ft.

Nevis

There is a pier 415 feet long by 26.25 feet wide and a maximum water depth of 16 feet.

Communications

The Government Telephone Department operates the automatic dial telepho system on St. Kitts-Nevis. Cable & Wireless (West Indies) Ltd. provide international telegraph, telephone and telex services. There are inter island VHF/UHF radio connections with an international link via Antigua.

Electricity

Electricity supply is from diesel and engine generators. The power is 230 volt single phase; 400 volt three phase, A.C. 60 cycles. A detailed rate schedule is contained in Appendix III.

Labour

St. Kitts-Nevis has a work force of 20,000 people, with a sizable supply of skilled and semi-skilled labour. Wage rates can vary considerably from firm to firm; and are established in management-labour contracts typically tied to individual productivity. Currently, average production worker efficiency in established operations is 85% of US standard output in textiles and 95% in electronics. Wage rates average US $0.62 per hour in textiles and somewhat higher in electronics. Minimum wage rates exist only for domestic servants and retail employees. A detailed schedule can be found in Appendix V.

The typical work week is 44 hours. Overtime rates are double time on Sundays and Holidays, and time and a half other days. The definitior of a year's employment varies by industry. It is at least 126 days for agricultural workers. For other workers it is at least 238 days when working on a weekly, monthly, or yearly basis; and at least 154 days for those working on an hourly, daily or piece work basis.

There are 12 holidays on St. Kitts and 13 on Nevis. Workers typically earn a minimum 14 days paid vacation after working for one year. Every worker must be insured for workman's compensation as well as Social Security.

There are four unions on the islands: the St. Kitts-Nevis Trades and Labour Union, the United Workers Union, the Water-front and Allied Workers Union, and the Waterfront, Airport and General Workers Union.

Vocational and technical training programmes exist at the State's Technical College.

IV INVESTMENT INCENTIVES

The Government of St. Kitts-Nevis offers incentives to attract offshore investors to the State. These Incentives include:

Fiscal Incentives

The Act covering fiscal incentives provides for 100% exemption from company income tax for up to 15 years,

depending upon the local value added by the industry invested in. The schedule is shown below.

Enterprise	Value Added	Maximum Tax Holiday
Group I	50% or more	15 years
Group II	25 - 50%	12 years
Group III	10 - 25%	10 years
Enclave	-	15 years

Companies which qualify for tax holidays are allowed DUTY FREE IMPORT into St. Kitts-Nevis of all equipment, machinery, spare parts, and row materials used in production.

After the expiration of the tax holiday a company can get continued relief in the form of a tax credit based on the percentage of profits attributable to exports. Since the tax on chargeable company income amounts to 50%, the foregoing represents potential exemption of up to 75% of company income tax.

Repatriation of Profits

Companies are allowed to repatriate all profits, dividends, royalties, management charges, etc. provides that arrangements are made with the Ministry of Finance.

Trade Benefits & Investment Protection

Imports from St. Kitts-Nevis into the USA enjoy preferrential treatment under the Generalized System of Preferrence (GSP), or reduced import duties when certain source and value added criteria are met. Similarly, imports from St. Kitts-Nevis into the EEC enjoy preferrential treatment under the LOME Convention. St. Kitts-Nevis hasan Investment Guaranty Agreement with the USA; and double taxation agreements with the USA, United Kingdom, New Zealand, Norway, Sweden, Switzerland, Jamaica, Barbados, Trinidad and Tobago, and Guyana.

Taxes

There is no personal income tax for nationals on the islands. There is a 20% income tax for aliens (not applicable to US Citizens) and a 50% tax on chargeable income for companies. Persons or companies remitting payments to persons or companies outside the State must deduct 10% withholding tax (transfers of profits excepted) payable to the Comptroller of Inland Revenue. These payments include: administration, management or head office expenses; technical service fees; accounting and audit expenses; royalties; nonlife insurance premiums; and rent.

Factory Shells

There are two Industrial Estates of 89 acres and 22.25 acres respectively on St. Kitts, both within one and a half miles from the airport; and an even shorter distance from the deep water harbour. There is one 14 acre Industrial Estate on Nevis. Factory rental rates on these estates are US$1.86 per square foot per year, with a minimum lease of five years. Estate land rental charges are about US$448. per acre per year, if you build your own factory on an estate. Investors wishing to erect their own factories will find construction costs of about US$10.5 per square foot.

APPENDIX I

AIRLINE PASSENGER SERVICE

BWIA (British West Indies Airways): direct flights to and from New York City on Thursdays, an to and from Miami on Fridays. Provides flights to and from St. Lucia and Barbados.

PRINAIR: daily scheduled services from Puerto Rico, St. Thomas, St. Croix, and St. Maarten.

DAILY CONNECTIONS to international carriers (American Airlines, Eastern Airlines, British Airways, etc.) serving North America and Europe via LIAT; WINAIR; AND PRINAIR.

LIAT(Leeward Islands Transport): daily schedule services to and from Antigua, St. Maarten, St. Thomas, St. Croix, Montserrat, Dominica, Guadeloupe, Martnique, St. Lucia, St. Vincent, Barbados, Grenada. Also weekend service to Puerto Rico.

WINAIR (Winward Islands Airways): daily flights to St. Maarten, Saba, and St. Eustatius.

AMERICAN EAGLE: charter service on Sundays between Chicago and St. Kitt

EVERGREEN: charter service between New York City and St. Kitts on Sundays.

AIR FREIGHT

AVIA AERO SERVICES INC. Weekly (Wednesday) direct Boeing 707 cargo services between St. Kitts and New York City, Miami, and San Juan, Puerto Rico.

ARROW AIRWAYS: charter service to US Cities. Operates out of Miami.

BORINGUEN AIR: charter service between Puerto Rico and St. Kitts.

BRITISH CARIBBEAN AIRWAYS: weekly (Thursdays) to and from St. Kitts and Nevis (Beachcraft 18s, DC 3s, DC7s) and Puerto Rico interconnecting with Tiger and other lines serving US cities; Toronto, St. Maaerwn, United Kingdom.

BWIA: flights three times a week, Thursdays, Fridays, Saturdays, - New York, Miami, Toronto, Antigua, Trinidad and St. Lucia.

CARICARGO: charter service to New York, Miami, Toronto, Antigua, Trinidad, St. Lucia, and Puerto Rico.

CASIART: Charter service. Operates out of US Virgin Islands and Puerto Rico.

COSTAL AIR TRANSPORT: weekly (Friday & Sundays) cargo service (Beachcraft) between Nevis and St. Croix.

SEAGREEN: Charter Service. Operates out of Miami, Puerto Rico, and Antigua.

SOUTHERN AIR TRANSPORT: weekly cargo service to and from Miami, San Juan, St. Maarten.

LIAT; WINAIR: flight daily connecting international carriers in Antigua St. Maarten, and Puerto Rico with both St. Kitts and Nevis. Limited cargo space.

APPENDIX II

SHIPPING

The State is served by major regional and international shipping line, typically combination container and general cargo vessels.

RO/RO service to and from Florida and St. Kitts is available every 12 and 14 days.

The line calling on St. Kitts and service frequency includes the following:

FROM	LINE	FREQUENCY
Europe	Booker (U.K. Liverpool/Glasgow)	monthly
	Harrison (U.K. / Puerto Rico)	monthly
	Dedlloyd (West Germany, Holland, Belgium)	each 6 weeks
	Carol Services (via Puerto Rico)	monthly
Canada	Saguenay	monthly
USA	Pan Atlantic (Miami) RO/RO	each 12 days
	Tropical Shipping (Palm Beach, Fla.; St. Johns, Antigua) RO/RO	every other Friday
	Bernuth Marine Shipping (Miami)	monthly
	TEC Lines (Miami)	monthly
FAR EAST	WISCO (Transshipment via Jamaica)	each 5 weeks

APPENDIX III

ELECTRICITY RATE SCHEDULE FOR ST. KITTS-NEVIS (JUNE 30, 1982)

(Expressed in US$ See footnotes to calculate current costs)

GENERAL SERVICE	CHARGE
Applicable for all services	Energy charge of $0.13 per Kwh with minimum total charge of $2.22
INDUSTRIAL & COMMERCIAL SERVICES	ENERGY CHARGE
Applicable for all manufacturing & commercial premises	$0.063/Hwh for first 50Kwh/kva $0.056/Kwh for next 75Kwh/kva $0.48/Kwh for next 125Kwh/kva $0.037/Kwh for all kwh exceeding 250kwh/kva.
	DEMAND CHARGE
	$3.70/kva for every Kva of demand or part thereof.
DOMESTIC SERVICE	ENERGY CHARGE
Served by 230 volt single phase supply	$0.067/kwh for first 50 kwh $0.052/kwh for all kwh exceeding 125 $0.059/kwh for next 75 kwh DEMAND CHARGE
	$2.22 for first 15 amps of fuse rating or part therefore of fuse protecting service
	$1.48 for next 15 amps of fuse rating or part thereof of fuse protecting service
	$1.85 for additional fuse rating exceeding 30 amps of fuse protecting service.

COST OF SERVICE ADJUSTMENT

Subject to the preceding regulation the tariff rates for energy consumpt: as specified in the schedule, shall be increased on the first day of July 1982 by a cost of service adjustment of .0.007 per kwh to the rates specified. There-after an additional $0.019 per kwh shall be added to the energy charge of the previous quarter at the beginning of each quarter for a period of 12 months.

FUEL COST ADJUSTMENT

The rates for energy consufption shall be increased or decreased by $0.004 for each $0.04 increase or decrease, as the case maybe, on the $1.25 per gallon price of fuel to adjust the energy cost for electricity generation in the State.

REPRESENTATIVE US BUSINESS SUCCESSES

IN ST. KITTS-NEVIS

ELECTRONICS

Harowe Servo Controls Inc., Subsidiary of Bowmar Instrument Corp (Newbury, Cal. U.S.A.): Started producing D.C. Servomotors in 1975 through turnkey management contract with Electrofab Ltd. (local firm). Commenced direct operations 1978 as St. Kitts Enterprises Co. Ltd. Employs about 200 people in three plants, two in St. Kitts and one in Nevis. Now building additional plant in Nevis to employ an additional 200 people.

Transducer Systems Inc. (Willow Grove, Pa. USA): Started producing transducers in 1975 through turnkey management contract with Electrofab Ltd. Commenced direct operations as TDI in St. Kitts in January 1981. Currently employ 82 people. Operations Successful.

AIE Div. of Vernatron (Tennessee, USA): Started production of transformer in 1980 through labour contract with Electrofab Ltd. Current employment in 1983 based successful operations.

EDP SERVICE INDUSTRY

Analysis Programming Corp. (Greenwich, Conn. U.S.A.): Started operations as Key Universal in St. Kitts in 1981. Operates three shifts. Currently employs 110 people. Plans to expand operations to employ up to 150 people in 1983.

TEXTILES

Best Form (USA): Started direct operations producing lingerie as Wellington Ltd. in St. Kitts in 1979. Currently employ 247 people. Based successful operations expanding plant and employment to about 400 in 1983.

St. Kitts Apparel (affiliated Fashion Trading of NYC and Miami (USA): Started opeations in January 1982 in St. Kitts. Produces ladies athletic wear and other apparel under contracts. Currently employs about 115 people and planning to expand operations.

PRINCIPAL EXISTING INDUSTRIES IN ST. KITTS - NEVIS

ELECTRONICS	Transducers
	Transformers
	Resistors
	Servomotors
	Radio & TV Assembly
E.D.P. SERVICE INDUSTRY	
TEXTILES	Lingerie & Brassieres
	Athletic apparel
	Women's jackets & skirts
	Men's & boy's pajamas
	Jeans
	Hand embroidered tapestries
	Hand embroidered apparel
	Batik apparel & art products
SCREEN PRINTING	T Shirts & Other textiles
FOOTWEAR	Men's & Boy's leather shoes and work boots
FOOD & BEVERAGES	Margarine & Shortening
	Ice cream
	Bakeries
	Soft drink bottling
	Brewery
	Sugar & Molasses
	Fruit concentrates & preserve Jams & Jellies
WOODEN FURNITURE	
METALCRAFT	
BOAT BUILDING	Small wood & fiberglass vessels
INDUSTRIAL GASES	
COMMERCIAL PRINTERS	

REPORT

ON

SURVEY OF

SMALL SCALE ENTERPRISES

IN ST. LUCIA

Prepared by

PIERRE C. ARMAND

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1. BACKGROUND & SUMMARY

A. Scope and Methodology

This study is part of an attempt to seek ways of reducing poverty and increasing the availability of resources to the small scale business sector so that it can create economically productive employment and earnings opportunities. It surveys the productive sector of St. Lucia, those activities in the manufacturing, agri-business or services sectors that have value-added significance for the economy, assesses their constraints and the infrastructure of local and international support to their development.

Given the time constraints to undertake a complete inventory of the small scale business sector, this study focuses on a broad range of typical enterprises, various scales of operations, various degrees of formality and various types of markets. Interviews and data collection were not limited only to Castries, the capital, but extended to a geographical cross-section of the country allowing for a good sampling of the targeted sector.

Previous studies such as U.S. Department of Commerce reports, World Bank publications, local agencies annual report, Chamber of Commerce and Small Business and Manufacturers Association, National Development Corporation files, statistical digests and government reports and cross-confirmation views and opinions were utilized. While there was limited time to verify some figures, there was a high level of cooperation of the interviewees who revealed operational and programmatic potential and constraints of their activities. Two questionnaires were designed and used by the research team, one for small scale enterprises, the other for the institutions serving them, so that a uniform and cohesive body of data could be gathered, analyzed and synthesized for the final report.

B. Soci-Economic Setting

1. Historical overview:

St. Lucia is a small nation of 619 km^2 or 238 square miles lying in the Caribbean sea and the Atlantic ocean, among the group of the Windward Islands. It is located between the St. Lucia Channel and the St. Vincent Passage. Unlike the other Caribbean islands, sugar cultivation and slavery did not come to St. Lucia until 1763. As a result, the period of plantation colony and slavery was brief. The estates were small and scattered throughout the territory following more or less the course of the rivers. Nevertheless, St. Lucia inherited a 200 year old sugar plantation based economy and a legacy of dependency on the European market. St. Lucia was not exempt from the tension and conflicts that existed in some other islands between the Afro-Creole peasant society and the Eurocentric white and light-skinned commercial or agro-commercial social group

which felt linked by class and culture to the British colonial authorities.

As a result, sugar plantation and peasant agriculture co-existed for most of the twentieth century. Until the 1960's, St. Lucia's economy was backward and stagnant and dependent on sugar as the dominant mono-culture until the banana became the main export commodity.

2. Evolution of the Unemployment Situation:

The post World War II period has led St. Lucia to independence and brought the erosion of the old class/race relations. At the present time, the St. Lucian society can be characterized as undergoing important social change. Population density has risen to more than 500 per square mile.(1)

There is still a large agricultural base in bananas which supports most of the farmers and a growing urban working class often underemployed and seeking employment in the expanding tourist and light manufacturing sectors, and ancillary industries. The inability of these sectors to keep pace with a rate of population increase of 2.3%(2) despite heavy emigration has witnessed the emerging of the informal and intermediate sector an increase in urban slums, and an increasing rate of unemployment.

Scarcity of capital severely limits the number of jobs that can be created, because investment costs per job are high in modern industry. Any attempt to improve the socio-economic conditions of the under-priveleged sector must seek to increase the use of labor relative to capital and this can only take place in an economically efficient way through a sound development strategy of the small scale businesses.

3. Socio-Economic Picture

The economy of St. Lucia expanded rapidly during the 1960's. Due to favorable investment climate, real GDP grew over 7% per year reflecting the boom in tourism and tourist-related construction, in manufacturing and in the execution of several government infrastructure projects. All economic sectors continued to grow in the second half of the 1970's. Agricultural income which has been declining through the decade was offset by the performance of tourism, construction and manufacturing. The economic growth stopped slightly in 1980, as a result of global recession and following the wake of Hurricane Allen. A modest recovery took place in 1981 and continued in 1982. Projections were made that GDP would have increased at the rate of 3.3% for 1983.(3) Figures from United States Department of State, Bureau of Public Affairs and local Ministries Statistics seem to confirm these projections.

Even though the country had benefited from sound economic management and had been a model for other Eastern Caribbean

territories, growing at almost a constant rate, unemployment continues to remain a serious problem reaching 27% according to the Ministry of Trade and Industry. (4) As a result, despite efforts to diversify the agricultural sector and the increasing importance of the manufacturing sector, four serious problems seem to work against the absorption of the excess labor force.

(a) The rate of growth of larger modern firms cannot keep pace with a rapidly growing population and labor force. Absorbing the labor force in productive employment is one of the principal challenges of further development of St. Lucia.

(b) There is no coordinated effort to support the smaller scale enterprises. All promotion from the National Development Corporation, and the Ministry of Trade tend to favor the development of larger firms, despite scattered attempts to encourage the former sector.

(c) Funds which could serve to assist the small business sector were used to finance the public sector through government borrowing to build necessary infrastructure.

(d) The commercial sector is not developing intersectoral linkages with the smaller enterprises. The commercial sector is not buying, from, nor sub-contracting to the small growing manufacturing sector.

As a result of these impediments to a sustained economic growth capable of absorbing the constant increase in the labor force and improving employment conditions, a new strategy must be devised. One way to foster the creation of more jobs per unit of capital invested is by encouraging the development of small scale enterprises which are generally more labor intensive than larger units and by offering the same incentives to smaller units than those established for and provided to larger units. Also similar incentives should be provided to the larger commercial units to encourage intersectoral linkages and the development of the manufacturing base.

The population of St. Lucia is very young. About 60% is under the age of 25. The labor force of about 52,000 is educated and trainable and can easily be used in the manufacturing sector consisting of processing of food and beverages, garments and handicrafts. It can also take advantage of particular areas of investment strictly reserved for nationals, since the government of St. Lucia recognizes the local capability in these areas.(5)

C. Problems of Small Business Enterprises in St. Lucia

The small business sector in St. Lucia employs more direct labor per unit of capital invested, albeit paying lower wages. Smaller scale enterprises offer a wide range of services and as such are a good source of urban employment. Other arguments favoring smaller scale enterprises include their role in

mastering entrepreneurship, in management training, improving technical skills and as generators of savings. They serve also as sources of stability and coherence in their communities and as means for reducing inequalities of income between regions and economic groups. Also as production systems, they generate less adverse environmental impact than do larger firms.

However, depending on the scale of enterprises, they face different specific problems. The more structured and modern small businseses have a fairly solid internal management and a certain level of technology and organization. Although they have access to commercial banks, because of the nature of their transactions they face a constant lack of working capital and pay too high a cost for technical assistance.

The scale of the more or less unstructured small enterprises, repair works, artisan production, handicrafts, custom jobbing, construction and processing of primary products suffer from inadequate production and market organisation, lack of financing and specialized personnel needed for design, sales promotion and bulk raw material purchase. They do not have access to financial institutions, not because there is a lack of institutions serving them, but rather because in some cases, they lack the collateral to secure loans and in other cases, the institutions do not have the mechanism and the staffing to reach them.

Finally, there is the mass of the smaller scale enterprises in the informal sector at the mercy of middlemen and usurious lenders for working capital and personal emergencies. This group has no access to the traditional financial structure. It keeps no records, and has no real notion of cost, price or profit. These enterprises barely subsist, but have the motivational and entrepreneurial ability to continue to serve their neighbourhood market, and they have the capacity to grow if they are provided access to financing, some basic tenets of management and improved production technologies.

D. Importance, Significance and Extent of Local and Country Support

There are a limited number of financial institutions and government agencies catering to the small business sector. They all lack the required resources to meet the needs of the small businesses. On the one hand, some government agencies are paying lip services, even though they seem to have the intention and proper policies to serve this sector. They lack the know-how to design approaches and legislation tailored to the needs and constraints of the small scale enterprises. On the other hand, the PVOs able to reach the various enterprises in this sector, lack the loan funds and personnel to carry out an effective and sustained program. They in turn need back-up support to be able to meet the various aspects of an integrated system which can provide assistance in finance, management, marketing and skill training as elements of the required package needed to improve

the overall conditions of their beneficiaries.

E. Proposed Projects and Ideas

Any intervention to help the small-scale business sector must be of a comprehensive nature and should be conceived as a three-layer structure.

At the local level, a good extension program ought to be carried out by effective and viable structure with trained and motivated staff capable of reaching out to the smaller scale enterprises and provide the required assistance to them. Present programs are limited in their ability to reach small firms both by lack of adequate personnel and by the kind of technical training required as prerequisites to effective work with this sector.

At the regional level, effective means must be designed to reduce the cost of providing technical assistance to agencies serving the small business sector on a one-to-one basis. Whether it is the training of field extension agents, the organisation of specialized seminars or the setting up of a mechanism for program implementation, follow-up and evaluation, a regional level mechanism would seem to be more cost-effective.

At the international level, back-up support in marketing and informational communication and procurement needs can be met through the establishment of international programs.

2. EXISTING SMALL BUSINESS ENTERPRISES

A. Introduction

1. Definitional Framework

It is difficult to measure and analyze the small business sector in any country without a well-established and consistent set of definitions. The task is even more difficult and more ambiguous particularly in a survey which attempts to summarize evidence from various scales of small enterprises. In large part, the activities of this sector lie on, or between the boundaries of the categorization of micro and small business. Even though the classification of these enterprises involved a degree of arbitrariness in imposing single dividing line on what is a micro or small enterprise, evidence seems to indicate that one is dealing in fact, with a continuous spectrum of situations. However, for the convenience of this study, until some much more precise and scientific parameters can be established and used to define the various scales of small enterprise, this survey will classify this sector in a range of categories, based on information gathered in the field and on criteria used by different agencies serving the various scales of enterprise, and according to St. Lucian patterns and the stage of development there.

In view of this fact, categorization starts from the bottom with the micro-enterprise sector with its subdivisions and follows the continuous spectrum of growth and scale differences. The dynamics of this spectrum can serve as measuring yardsticks to evaluate the expansion and mobility of an enterprise from one scale to the next. As a result, policy guidelines and development strategies can be designed to respond to the needs of each sub-category, since available statistics in the literature on small scale enterprises indicate that generally as firm size increases, capital investment per worker rises, value-added per worker increases and value-added per unit of capital falls. Such evidence reinforces the point that "small enterprises with a lower level of investment per worker tend to achieve a higher productivity of capital than do the larger and more capital-intensive enterprises."(9)

As such, among the key indicators used in this categorization, investment per worker is a leading parameter, bearing in mind the level of unemployment of St. Lucia. Among other parameters access to traditional commercial banking institutions for loans or overdraft privileges are also important classification characteristics along with number of employees, assets and equities, size of the business place, level of management, sales volume in local or foreign markets, etc. On the basis of these variables, views and opinions of interviewees concerned with the different scales of enterprises, previous experience with this sector and considering the parameters not mutually exclusive, differences can be established within two

broad categories of small scale enterprises: The micro business sector and the small business sector.

(a) The Micro Business Sector

This sector consists of three sub-categories of levels:

i) The Marginal level:

This category is characterized by the key fact that it has no access to commercial banking and is totally marginal to the main stream of economic activities. It is usually owner operated with the help of family members as employees. Its assets and equity never exceed EC$5000. Its sales are limited to the local market. It is a labor intensive and usually labor powered activity. It cannot afford to pay regular wages. By the very nature of business it is rather in the category of Economies of Scope instead of Economies of Scale. Its potential for expansion is limited. The sampling in Castries and 10 other towns in St. Lucia drawn from interviews and the National Research and Development Foundation files reveal that out of 108 micro-businesses, 70 fall in this category. More than 75% of the population surveyed whether they are in the manufacturing, services or agri-businesses sector. All suffered from the lack of financial and technical assistance. Requested loans for equipment purchase or working capital or for raw materials vary from EC$1500 to EC$5000. Over 18% of the businesses were owned and operated by women. Average gross sales was about EC$6500 a year. Assets and equity amounted to an average of EC$4800 per enterprise. Most of these micro-enterpreneurs started their business with their own savings except 17 or about 12% that started from funds borrowed from unconventional sources. The average rate of profit of these businesses were about 47% and the average years of formal schooling of these entrepreneurs was slightly over 7 years. The average number of years of experience in their line of business was also over 7 years although had 20-30 years of experience. They do not keep any records and are not familiar with any accounting systems, except their traditional wisdom. They know how to buy cheap and sell dear. Very few of them experienced difficulties in paying back their loans and/or could not meet monthly payments for more than 3 months.

Among the businesses comprised in this classification are family businesses, traditional artisans, petty traders, cottage industries, crafts (men and women), repair works, some sewing and weaving, joineries, food processing for local consumption, etc. These entrepreneurs generally dedicate to their businesses whatever resources are

available, be it capital, raw materials, skills, efforts, time or ingenuity. As a result the productivity per level of investment is rather high. Investment per worker is about EC$875.

ii) The Informal level:

At this level, the entrepreneur has a fundamental understanding of business practices and has a much more viable going concern. This sub-category is specifically characterized by his or her craftmanship. He is a shoemaker, a tailor, a seamstress, cabinet maker. These types of businesses usually have a skill to teach an apprentice. They usually pay wage on an hourly or a piece-work basis, even if it is below the minimum. This informal level also usually accumulated enough to open a savings account oir own a piece of property which could be used as collateral to obtain a small bank loan, as it was the case for a small cabinet maker in Gros-Islet who learned his skills in London and used his house as collateral to obtain two separate loans from the banks in Castries, amounting to EC$6000.

Besides these specifics, these micro-enterprises have the same as the marginal group needs for financing, since they are usually underfinanced. Their collateral is never enough to secure the necessary funding for them to obtain the equipment, or working capital required to make their operation financially viable. In most cases they informally divide their dwelling into living area, workshop and showroom. They hire 3-10 employees and are owner operated, with assets ranging from $5000 to 35,000 EC most of their production is sold to the local market. Above all, there is this sense of informality in the way these entrepreneurs run their businesses. Even though some do keep informal accounting records, most assert that they are too busy working to maintain such records. They prefer to have a member of their family trained to handle them. One third of the businesses surveyed in this category had a loan either from the Cooperative Bank or the Development Bank of St. Lucia. The level of investment per worker was estimated at one worker per EC$2455.00. This survey also confirms that the potential for expansion is greater in the informal level than the enterprises in the marginal category. Whereas the level of employment in the marginal sector increases with the corresponding average loan per enterprise from one to 3 extra workers, employment increases from one to 6 workers per business at the informal level.

iii) The Intermediate or Transitional Level:

This level is also owner-operated, hires 11 to 20

employees with assets and equity of EC $50,000 and up. This category is specifically characterized by sheer size, greater share of foreign input in the production process, and better developed business skills. At this level, there is a certain separation between production, marketing and accounting. Sales to the local market is not the ultimate end in itself. In the Eastern Caribbean context, there is a constant concern to increase sales volume and to extend sales to inter-continental markets. They understand the basic principles governing their markets and are flexible enough to expand when the opportunity arises. This category can become bankable if some assistance is provided in management and marketing. Those enterprises that can secure collateral usually have access to commercial banking. They are seldom too deprived to deserve a bank loan and too big to obtain assistance from the National Development Foundations. They usually cannot or do not have real estate as collateral or cannot secure the 20% of the initial investment required by the St. Lucia National Development Bank. Based on the survey, 1/4 of these firms had a loan from a commercial bank, one fourth had a loan from the St. Lucia National Development Bank and the other half had no access to bank loans. However, this group is most likely to grow and expand if proper assistance is provided. They tend to be unregistered and do not belong to any small business association. They are still at the transitional stage.

(b) <u>The Small Business Sector</u>

The small business sector has also two sub-categories: the smaller scale enterprises and the small businesses level per se. This sub-division, as a whole, has often been defined as the Small and Medium Enterprises Sector.

i) The Smaller Scale Enterprises:

Smaller scale enterprises are defined as those firms employing 10 to 50 workers. They are usually covered by industrial statistics. They are assumed to have indirect domestic employment effect. They are in a stage of industrialization characterized by craft-based activities using totally unskilled labor. The mass of traditional smaller scale firms have not, in general, transformed themselves into more modern small scale factories. As a result, they are labor intensive. The owner may or may not operate the business and usually hire personnel in accounting, production and sales managers. These businesses depend heavily on foreign inputs for their production. They either coexist with foreign firms or rely heavily on export markets. Usually they do not have overdraft

privileges in commercial banking. They are not as formal as the traditional small business sector. Their assets vary from $250,000 to $750,000 EC. In practice, well over three-fourths of these enterprises have fixed assets around $250,000 and employment below 50 workers, according to World Bank findings and the St. Lucia business sector.

ii) The Formal Small Business Sector:

Definition of this sector relates to the capital invested with maximum ranging from about EC $250,000 to 2 million for fixed assets excluding land. They are small manufacturing firms that are relatively modern. They are characterized by their access to banking and their ability to secure collateral and obtain overdraft privileges. They are familiar with all aspects of accounting systems and management. They are usually members of a Small Business or Manufacturers Association. They are distinguished from the previous category not only by their size, but also by the fact that they are more modern, more formal and much better organized. They have a fairly solid internal management and levels of technology and organisation well adapted to their clientele. Their needs for larger investment and working capital, inhibits their gaining a wider market.

B. The Magnitude of the Different Scales of Enterprises, Based On Results of Survey

Not including the 655 businesses listed in the directory of Distributive Wholesale and Retail Establishments compiled by the St. Lucia Statistics Department(9) there are 35 manufacturing firms which are members of the Manufacturers Association of St. Lucia, and some other 75 listed by the Ministry of Trade not belonging to the Association. Another thirty firms are members of the Small Business Association.

There are 85 enterprises that hold membership at the Chamber of Commerce. This study surveys, in addition to the above, those firms that do not belong to the Chamber of Commerce or an association.

1. The Small Business Sector

The picture that emerges from this sector, although the evidence must be interpreted with some caution, since we could only interview a very small sampling of this category, is that there are smaller firms employing from 1 to 50 workers and there are some larger firms employing from 50 and well over 100 workers. In the former category, the average number of workers is around 22. In the latter, the average number of workers amounts to 85.

Besides Castries, the employment structure of the small business sector is remarkably uniform across the different towns of St. Lucia. One must also account for a slightly larger concentration of firms with much higher number of employees in Vieux-Fort, the town near the international airport, where the average number of workers per firm approximates 60.

(a) The largest of small scale manufacturing firms and employment is found in the textile industry including spinning, weaving and finishing textiles as well as manufacture wearing apparel for men and women. This sector encompasses 27 companies with an average of 30 employees, and accounts for about 20% of total small scale employment. Consistent with comparative data in other developing countries, textile and clothing manufacture is an important employer in this small business sector. The predominant position of tailoring and seamstressing activities correspond also with evidence from other developing countries in which clothing manufacturing appears as the largest small scale urban industry.

(b) Food Manufacturing and agri-businesses, including dairy products, manufacture of vegetable and animal oils, grain mill products, bakery goods and other food items represent the second largest

small scale manufacturing activity, employing an

average of 20 workers per firm. The survey reveals that about 26 firms across the country are involved in these activities. They account for 10% of the labor force in the manufacturing sector. This sector is faced with a serious lack of working capital, and lack of marketing assistance, even though there is a central marketing Board set up exclusively for the services of agri-businesses. Some firms are on the verge of bankrupcy and will probably shut down. The smaller scale firms in this category are also subject to the fluctuations of the tourist industry for the seasonal swings of their markets -- another significant handicap to the growth of this sector along with interregional red tape and requirements of agricultural products export.

(c) Carpentry and furniture manufacturing account for

the third largest employer in the manufacturing sector. There are about 24 firms making wood or iron furniture and fixtures or involved in sawmills and wood mills employing about 12 employees per enterprise. The products of this sector include household items, tables, cupboards, beds, doors and industrial or school furnishings. Except for a very few of these firms in Gros-Islet, Vieux-Fort and Patience most of the furniture manufacturing activities are located in Castries. They suffer from lack of linkage to the commercial and distributive sector. The furniture manufacturing activities provide about 12% of employment in the manufacturing sector.

(d) Among other activities in the manufacturing sector

are the electrical and electronic machinery, appliances and supplies with 5 companies hiring an average of 46 employees. The printing, publishing and allied industries comprising 9 firms employing 14 workers per enterprise. The soft drink industry accounts for 5 firms and an average of 36 workers. Other manufacturing firms in packaging, making paper bags, chemical products, bay rum, perfumes, rubber, plastic and mineral products, together employ a relatively large proportion of wage employees about 10% of the manufacturing labor force.

(e) The service sector was represented in our sampling

by 17 firms employing an average of 15 workers per enterprise. These businesses are extending services in the musical and audio-visual field, medical and optical devices, shipwrecking area, electrical and electronic outlets, tire repairs and reconditioning, some dealerships,, consulting

firms, transportation, restaurants, hotels,

warehousing, etc.
It has been proven that there is a relatively

constant ratio between manufacturing and service jobs over a wide range of urban economies. It is then assumed that as the manufacturing base of St. Lucia's economy increases, the service industry will grow accordingly and will engage as many gainfully employed persons as manufacturing.

2. <u>The Micro-Business Sector</u>

Data on the magnitude and structure of the micro

business sector is not available from any official survey which was undertaken in St. Lucia. Information from this sub-category of businesses was gathered either from the files of the National Research and Development Foundation or from direct interviews in the marginal and informal sector of St. Lucia. From a sampling of 118 enterprises, it was revealed that 54 were in the service sector, 50 in manufacturing, 11 in agri-business and 3 in construction related activities.

(a) The major share of existing and potential

employment in a country like St. Lucia can be developed through the service sector at the micro-enterprise level. There is a reasonably large number of firms in St. Lucia offering all kinds of services, health and beauty parlours, dry goods outlet, bicycle and car repair shops, camera repair, locksmith establishment, radio and television repair shop, car and auto body repair shop, welding, advertising agency, laundry, vinyl repair, tire repair, jewelery repair, small scale processing of primary products, etc. Most of this sub-sector is made of repair shops. However as the manufacturing sector expands and

some people in the community become affluent, there will be increasing needs for services. Andrew Proctor, from Project Development Assistance Program (10) confirmed this potential of the service sector. He pointed out the case of a micro-entrepreneur who started a garbage collection business in a more affluent neighbourhood of St. Lucia where such service was badly needed. This case was suggested as a typical area for micro-business development in an expanding manufacturing economy.

(b) The micro business sub-sector in St. Lucia is characterized by micro-manufacturing firms engaged in sewing, tailoring, seamstressing, pastry and bakery, craft, furniture making, ceramics, screen-

printing, shoe-making, cement block and tiles, ice-making, jewelery manufacture, paper bags. In agri-business, the survey revealed a few micro-enterprises involved in the production of peanut butter, processed vegetables, dairy products, ice-cream and agri-equipment. Of 55 micro-businesses surveyed, fifty were producing in the light manufacturing sub-sector and the other five in agri-business.

The data in the survey also reveals the predominant position of furniture making in the micro-business sub-sector of St. Lucia. From a sampling of 50 enterprises 14 were engaged in wood or iron furniture production. Within the two different scales of enterprises in this sub-sector, micro and larger scale firms compete vigorously. The output of smaller enterprises has reached a quality equal to that of larger manufacturing operations, although in general, the smaller firms lack the proper equipment and manufacture household items of simple design at low cost and with credit facilities. Despite the fact that barriers to entry in the form of human and physical capital requirements are somewhat higher in the furniture manufacturing industry than for clothing manufacturing, furniture making seems to be a much more common undertaking than clothing manufacturing, usually the traditional low barrier to entry occupation. Maybe the availability of good wood and linkages with sawmills and timber industry may explain the predominance of furniture manufacturing.

Clothing manufacturing including a small knitting factory, tailoring, seamstressing, and drapery making represent the second largest manufacturing sub-sector in St. Lucia with 13 firms out of 50 surveyed. The micro-entrepreneurs in this sub-sector do not have the same ability to compete directly in the clothing market. They are faced with quality imported items which seem to respond to consumers tastes and quality requirements. Even though apprentice labor is an important cheap input in this sector, the required skills and technology necessary to produce sophisticated quality items are not readily available.

These activities are characterized by substantial ease of entry. Initial capital requirements are among the lowest for all small manufacturing enterprises, consisting principally of the purchase of a sewing machine. However, this sector in St. Lucia complains of tough competition

with cheap imported items coming from Taiwan and the Philippines. They also found that there is an increasing preference for ready made garments.

(c) Among several other micro-manufacturing activities, food manufacturing and particularly bread and pastry baking are the third most important employer in this sub-sector of St. Lucia. They provide about 8% of employment in the micro-business sector.

Other traditional craft activities include wood-carving, weaving, mat and basket making and construction related activities. These crafts are primarily sole proprietorship enterprises, supplemented by apprentice labor, and characterised by relatively low investment requirements.

C. General Observations and Conclusions

Based on the survey, given the above considerations, it is estimated that there are as many unregistered smaller scale enterprises in the micro and small business sector as there are formal registered commercial and industrial firms. The magnitude of the micro small business sector can be estimated at approximately over 2500 firms throughout St. Lucia, if one must include all the petty traders operating in the market. It is also estimation that this sector absorbs about 20% of regular or disguised employment. Figures from the Government office indicated that the Public Sector hires 4200 employees. Data from other sources revealed that the tourist sector hires 5000. Based on number of firms in the manufacturing sector and averaging the number of workers they hire, this sector employs about 3000. Agriculture absorbs over 10,000. The commercial sector employs about 6000. About 8000 work in the micro sector. Over 14,000 are estimated to be unemployed. Very little is known about the development of the smaller scale enterprises. However evidence from the larger scale manufacturing sector pointed out that most firms are young and started operations mostly in 1979 with a few in 1977 and 1978. Only 5% of this sector started earlier than 1970. Following independence, which took place in 1979, rapid expansion occurred also in tailoring, carpentry and furniture manufacturing and repair shops. A similar phenomenon was observed in the African countries following their independence. It has also been observed that the smaller scale business sector follows an almost similar sectoral expansion trend with the largest concentration of firms in textile and clothing manufacturing, furniture making and bread and pastry production. The agri-business sector is weak at the different levels of operations. The service sector is oriented towards shop keeping, repair shops and supportive services to the manufacturing, commercial and agricultural sectors.

Within the smaller scale enterprises it has also been observed that male ownership predominates female by more than 2 to 1.

Gross sales at the first three levels is estimated at an average of $65,000 EC per person and if the intermediate scale is added it averages about $218,000 EC. Employment is assumed to be about 18 workers per firm. Returns on investment is quite high showing a profitability rate of over 60%. Most of the firms in the micro-business sector started their enterprises with their own savings as initial capital. Only 25% borrowed from the banks or unconventional sources.

Concentration of businesses operations has been in the Castries area with few firms established in Gros-Islet and Vieux-Fort. Handicraft activities has been concentrated in Choiseul and agri-businesses seem to be growing in the Soufriers and Dennery areas.

D. Needs Not Being Met

Even though all the firms suffer from lack of financing, and lack of technical and marketing assistance, the survey suggests however that the level of needs seems to be inversely related to their scale of operations.

Firms in the marginal and informal sectors may be technically inefficient simply as a result of failing to achieve maximum potential output with a given proportion of inputs. To reach a certain level of economic and technical efficiencies, assistance should respond to financial, technical, and marketing needs.

I - FINANCIAL NEEDS

First since most of the enterprises are underfinanced and started operations with no formally conceived investment plan, financial assistance is needed to bring enterprises to a level where they can become financially viable. Micro enterprises exist within a segmented capital market and are largely excluded from access to commercial and public banks in St. Lucia. Even the few that could secure a loan through personnal collateral have not succeeded in obtaining enough funds to have a smooth financial operation. The paucity of funds from commercial banks or public development agencies for initial finance is also striking.

The National Development Bank of St. Lucia and the Cooperative Bank of St. Lucia have both been making loans to micro enterprises. Both lack funds and the administrative capability to screen loans. Both Mr. St. Rose and Mr. Theodore from the respective banks believe that smaller scale enterprises require a special window for promotion and monitoring of loans to smaller borrowers. Professional bias from the banking institutions tend to favor larger scale more established applicants than the micro-entrepreneurs.

Furthermore, bank lending to smaller scale firms is limited by the high administrative costs of loans to these enterprises and by the greater perceived risk of default.

Meeting the financial needs of the marginal and informal sector of St. Lucia would require about $200,000 U.S. or about $500.000 E.C. a year, according to the projections of the National Research and Development Foundations of St. Lucia. The cooperative League of Credit Unions which only has a loan portfolio of $110.000 E.C. would need about 1.5 million E.C. or the equivalent of $568.000 U.S. to respond to the demand originating from its Credit Unions and their ultimate beneficiaries.

As far as the more formal small business sector is concerned, they are faced with an acute problem of obtaining adequate amount of working capital. Respondents in mosts of the enterprises surveyed, the President of the Small Business Association and the President of the Manufacturers Association, identified insufficient working capital as a major constraint limiting the ability of these firms to maintain adequate stocks of finished goods and raw materials or to fill out orders on time. This constraint is exacerbated by business practices which require that firms extend credit to purchasers, while having to pay cash for purchased inputs and for labor. Sales to other islands or contracts with the government have been suggested as major problem area for smaller scale suppliers due to excessive delays in payments for goods exported or provided to the public sector.

The intermediate or transitional firms require substantially greater access to working capital than what is currently available, if they are to move from craft based activities to small modern enterprises.

The banking institutions catering to this category of small businesses do not have enough loan funds to respond to the needs of this sector. According to Mr. St. Rose of the St. Lucia Development Bank, undisbursed loans approved were estimated at $10,000.000 E.C. Funds available were in the order of $8,000.000 E.C. The bank was short of about $2,000.000 E.C. at the present time, to meet customers' demands for loans. Thus, the need to respond to effective demand for loan funds were as acute at the micro business level as it is at the small business level.

2. TECHNICAL ASSISTANCE NEEDS

Results front the survey indicate that the smaller scale firms confront different needs of managerial assistance, but the majority of entrepreneurs fail to keep even rudimentary financial records. Even for those firms maintaining some form of accounting system, the records are frequently deficient and not regularly consulted as a management tool. This phenomenon suggests a lack of experience with and training in compilation of

numerical data.

More widespread than the lack of managerial skills is the failure of firms to seperate business receipts and expenditures from household incomes. Such practices make financial accounting difficult.

Seminars and workshops to improve the technical efficiency associated with the role of management in the production process, is also an area of need. Traditional micro-economic theory assumes that all firms adopt technically efficient production processes and that managers employ known techniques with maximum efficiency. This survey indicates that to meet this level of technical efficiency is quite costly, specially in the emerging manufacturing sector of St. Lucia where managers have to pay a high cost for imported technical assistance to install new machineries or train workers to use them. Technical inefficiencies have also been the result of lack of knowledge and information available to managers and from differences in the quantity and quality of managerial skills supplied to the firm. The presence and extent of this form, of technical inefficiency has important consequences for recommendations towards smaller industries.

At the lowest level, technical assistance in management for monitored credit must be tailored to the needs of beneficiaries who are either illiterate, or had only few years of formal education. In addition, beneficiaries would have to travel some distance from the rural area to Castries to receive technical assistance from a Central Office. Therefore, the need for custom-made, individual training in management for the marginal or informal sector, the need for constant follow-up and evaluation of these enterprises must remain an important policy consideration in any program geared to the promotion and development of the micro-business sector.

To the assistance in management, one must also add the need for technical skill improvement indicated by quite a few respondents of this survey. It was stated that the success and growth of a small enterprise is related to its potential to make a quality product capable of competing with similar imported goods on the market. This inability of the smaller scale enterprises to compete constitutes an impediment to their expansion. As a result a strategy aiming at improving the chances of success and development of smaller scale or micro enterprises must take into account the need for skill improvement.

In both cases there is evidence that entrepreneurs with solid technical training and good craftsmanship who keep financial records are apparently more successful than those who do not have such skills.

3. MARKETING ASSISTANCE NEEDS -

Overwhelmingly the primary market for the products of

smaller scale enterprises is local consumer demand. Marketing of products depends primarily on personal contact between the micro-entrepreneur and the final customer. Few of the businesses surveyed actively engaged in marketing of products; they prefer to wait for customers to contact them. However, some 28% of the smaller scale enterprises have sold their production to wholesalers in the formal sector. Such forward linkages are not well developed with in the St. Lucia context. Significant sales or subcontracting between the formal sector and smaller scale enterprises could take place if some technical assistance was provided to promote them.

The first apparent requirement for greater levels of technical skills in producing inputs for industry would appear to favor micro or small entrepreneurs with more formal technical training. In part, the manufacture of intermediate and capital goods is constrained by lack of standardization and low levels of quality control. Most small firms in St. Lucia lack the equipment and technical ability to produce standardized inputs for modern industrial firms. Furniture manufacturing firms which seem to have great potential and have had the greatest proportion of sales to the formal sector, could particularly benefit from technical assistance.

In addition, packaging and piggy-backing for greater volume are other areas where significant assistance can also be provided. The paucity of additional support mechanisms and the lack of effective demand will continue to be the greatest constraint to the growth and prosperity of the smaller scale enterprises. Other than the Central Marketing Board of St. Lucia that provides marketing assistance to the agricultural sector and Partners of America offering some minimal help to the handicraft sector, there is no agency dealing with such an important area of concern.

III. INSTITUTIONAL RESOURCES AVAILABLE

A. INTRODUCTION

Institutional channels to promote smaller scale enterprises and urban employment objectives ought to include the various agencies that can serve as intermediaries in an overall strategy for small business development. In the course of this survey possibilities were explored for operating relationships with the St. Lucia Development Bank, the St. Lucia Cooperative Bank, the Chamber of Commerce, the National Research and Development Foundation of St. Lucia, the Manufacturers Association, the Small Business Association, The Cooperative League of the Credit Unions, The National Council of Women, and Partners of the Americas. Advice was also sought from the Ministry of Trade, the National Development Corporation, the Peace Corps, the Statistical Department of St. Lucia, The Project Development Assistance Program, and the Boy Training Centre.

The potential for channeling finance to smaller scale firms through some of these intermediaries seems promising. They are accessible to the small borrower and better able to assess beneficiaries needs and merits, to keep track of their performance, and to give advice when necessary. Guarantee mechanisms can be arranged. In any case, the relationship of these institutions to their community, and the level of participation they can mobilize, may help reinforce the moral obligation of borrowers to repay.

Other institutions can facilitate and encourage popular savings. One may provide skill training; another may be helping in management training or marketing. These agencies can work together in an integrated process to accelarate the development of the smaller scale enterprise sector.

B. DESCRIPTIONS OF INSTITUTIONS

I. Private Sector Service Organizations

All of the private sector service organizations were contacted in the inquiry about the services they extend to the smaller scale enterprises and resources they allocate to promote the development of this sector.

a. The St. Lucia Chamber of Commerce

The Chamber was organized more than a century ago to protect the trading interests of its 85 members, promote general economic activities in St. Lucia, and share efficient methods of management and manufacture. To achieve such objectives, the Chamber organizes seminars and work-shops, and lobbies for legislation favorable to the business climate.

The Chamber seems to have projected the image of an "exclusive club" of the larger businesses and not to have been progressive and dynamic enough to represent the interests of the small businesses or keep up with the needs of the manufacturers. These objections were at the origin of the creastion of the Small Business Association and the Manufacturers' Association. The Chamber reacted to this perception by offering office accomodation to the other service organizations and seeking their cooperation.

The Chamber has also been involved in providing technical assistance to Agro-Industries, a small experimental project which has had its share of difficulties.

Also the Chamber has been polishing its social image through an $300,000 E.C. renovation of a public park.

b. The St. Lucia Manufacturers' Association

Founded in 1981, the Manufacturers' Association was established to promote the development of local manufacturing activities and to represent the interests of manufacturers. The

Association has a membership of about 35.

The main concern of the Association is to seek linkages and subcontracts from the commercial sector and to encourage this sector to buy from local manufacturers. However, profit margins on imported goods is higher. Furthermore, the commercial sector argues that it responds to consumers' tastes and preferences, and in the process, offers them lower price commodities.

Mr. Primrose Bledmann, President of the Manufacturers' Association is confident that the membership will in the long run gain the attenion of the commercial sector and personally favors closer relation with the Chamber of Commerce as a step in this direction.

c. The St. Lucia Small Business Association

The Small Business Association was organized to represent its membership, promote and protect their interests. It was created to encourage the development of small business activities in St. Lucia and to project this sector as the backbone of St. Lucia national economy.

To achieve such objectives the Association intends to organize exhibitions and trade fairs, training seminars and set up a loan guarantee mechanism for its members. The SBA seeks legislation and tax incentives to promote the growth of the small business sector.

The President of the Small Business Association, Mr. Vaughn Louis-Fernand extends membership of the Association to businesses with annual sales of about $1 million E.C., hiring not more than 50 employees and with estimated assets and equity below $500,000 E.C. Mr. Louis-Fernand stated that the most acute constraint of the small business sector was the lack of working capital, the need for managerial assistance and some urgent training in computer, receptionist and P.R. skills. He is looking to cooperate with the Chamber of Commerce and the Manufacturers' Association as a means to strengthen the Private Sector service organizations.

d. In fact, besides the Chamber of Commerce, these private sector Associations lack the resources and the structure to initiate what they were set up to undertake. Their financial base is weak. They cannot afford staffing. They are expecting some grants from the Canadian Agency for International Development to strengthen their organizational and administrative capability.

2. FINANCIAL INSTITUTIONS

In general, the banking institutions find it hard to lend to very small enterprises, and even more difficult to lend to the marginal or informal sector. Such activity is fraught with problems and risks that conventional financial institutions are ill-equipped to assess. Exceptionally, the survey found that the financial institutions of St. Lucia have been reaching out to serve the small or even the informal sector of this territory. Among the most active, the following institutions have been identified as the most progressive in the support of small business development strategy.

a. The St. Lucia Development Bank

The National Bank was created by the public sector "to make loans or advances or provide any form of credit or assistance to any development enterprise whether in the form of finance or expertise or technical or managerial advice or participation in the share capital or management thereof." Agriculture, fishing, hotel; housing and industrial enterprises are particularly classified as development enterprises are particularly They have to be technically and legally feasible as well as financially and economically viable.

Even though the size of a project was suggested as a factor influencing the lending decisions of the bank, the Board and delegates of the institutions did set $3,000 E.C. as the lowest loan limit that the institution can grant as a matter of policy. The higher limit is $250,000 E.C. For any larger loan, this

institution must seek cooperative funding from the Caribbean Development Bank.

Mr. Jules and Mr. St. Rose, respectively Project Officer and Senior Loan Administration Officer of the Bank, stated the lack of collateral, lack of managerial skills of the smaller scale enterprises and the inability of the bank to assist them, as their major constraints in dealing with this sector.

As of September 30, 1984, the bank has approved a cumulative total of 881 subloans amounting to $15.369,432 E.C. and $9,870,638 E.C. were undisbursed approved loans. (Loans portfolio report is attached.(12)

Mr. St. Rose also indicated that they could always use some funding aiming at the smaller scale enterprises and would welcome any resources geared toward providing technical assistance to this sector. "The bank he stated, would not have any objection to collaborating with other institutions in a guarantee mechanism scheme promoting the development of the smaller scale businesses."

b. The St. Lucia Coopertive Bank.

This bank is a private sector initiative dating back to 1938. It also extends its services to smaller enterprises. However, its operations bear mainly on the commercial sector. Its activities are geared toward individual customers and it extends personal loans from a lower limit of $500 E.C. It offers very little financial assistance in developmental activities. The bank deplores the fact that lack of human resources and the skills and time required to handle smaller scale enterprises have reduced the scope of its activities in this area. However, it will welcome any opportunity to "serve this deserving sector."

c. The National Research and Development Foundation (NRDF)

The NRDF has operated for 12 years as the Caribbean Research Center. It was only in October 1982 that a decision was made to transform the Center into a Development Foundation. The NRDF is a unique local integrated institution geared to serve the development thrust of St. Lucia.

The Foundation has a research component, a development and training division, and a credit and counselling unit. Research, development, training, credit and counselling are integrated in a well balanced program servicing rural development, providing assistance in managerial and accounting.skils, adult education, and to self-help income generating projects.

This survey found the NRDF to be an effective mechanism to promote the employment of the lowest income group of St. Lucia through urban and rural projects, training and infrastructure services, and technical and marketing assistance as mutually reinforcing components.

Pat Charles, the Execcutive Director of the Foundation, understands the complexity and the intricacies of social organization and relationships as well as community realities. She manages this integrated program through a simple approach based on full participation of the beneficiaries and their realities. An integrated program based on such an approach has a validity and appeal that more simplistic conceptions seem to lack. The necessity for a continuing linkage among the diverse elements of monitored credit such as managerial and marketing assistance, and skill improvement, calls for a highly flexible and senstitive intermediary like this National Research and Development Foundation.

The NRDF started its loan operations in July 1984. To date, it has 16 loans approved and has disbursed $33,100 E.C. with an average loan of $3.677 E.C. So far loan requests number about 85. Ms. Charles estimated that she can disburse about $150,000 U.S. or close to $500,000 E.C. a year if she can strengthen the NRDF administrative capability and add a couple more field extension agents to its Credit and Councelling unit.

d. The Cooperative League of Credit Unions of St. Lucia

This cooperative league was organized to establish mutually advantageous links between the different Credit Unions of St. Lucia. At the same time, the league serves also as a link between rural production and distribution cooperatives as an alternative to the traditional middleman.

The league, as one of its activities, has been operating a revolving fund of $110,000 E.C. These funds were received as a grant from the Cooperative Development Foundation of Canada. These loan funds are used to make laons to Credit Unions which in turn make subloans to beneficiaries. Potentially, the league can be enormously useful as a source and channel for small scale enterprise initiatives and credit programs, a security and collection mechanism for loans, a delivery system for technical assistance, and a means for joint procurement and marketing.

However, the league only charges the credit unions 1/3 of 1% interest and the credit unions in turn subloan to the ultimate beneficiaries at an interest rate of 1%, and only earn 2/3 of 1%. As such they do not cover from the spread of interest income the administrative and risks costs of handling these funds.

The credit unions make subloans of $800 to $11,000 E.C. and secure these loans through mortgage instruments on real estate property or bill of sales or chattel mortgages on equipment.

The League is seeking to increase its loan portfolio to a $1,500,000 E.C. to reach a self-sustainability level. It is also negotiating with Volunteer Organizations for Cooperative Assistance in Canada for technical assistance to set up a good accounting system.

The League is also discussing the possibility of creating a separate loan portfolio for housing development or housing improvement, as other means toward self-reliance.

3. SKILL IMPROVEMENT TRAINING PROGRAMS

To serve the needs of the smaller scale enterprises, it is not possible to prescribe common or identical institutional support or delivery systems. It should be possible, however, for conventional and unconventional entities to meet their financial needs given appropriate policy adaptations and some supporting technical assistance.

Apart from technical assistance in management to smaller scale enterprises, such as assistance in becoming established and obtaining finance (feasibility studies, project preparation, choice of technology and equipment, etc.), these businesses also require assistance in broadening the availability and use of appropriate technology. They need technical skills to handle relatively simple machinery, to improve the quality of their products, increase the competitiveness of smaller scale enterprises, and enhance the use of local resources. In St. Lucia there are two programs providing this kind of assistance. Both programs need funding and international support to be more effective and responsive to a sound and comprehensive small business development program.

a. The St. Lucia Boy Training Center

This Center is the only formal training program in St. Lucia. It turns out 20 graduates a year. It trains young men in building trade, automotive mechanics, and in agri-business. The Center presently accepts 40 students in residence and would like to add 40 day students to the training program. It is also seeking resources to add tailoring, autobody repair, refrigeration and welding to their training skills.

The Boy Training Center is partly a government social rehabilittion program. It provides these trained young men some motivational and entrepreneurship concepts. At graduation, they become self-employed or offer their services to the private sector. It was estimated that over 70% of the graduates are gainfully employed. It has not been determined how many started their own enterprises. According to the Center Director, a sizeable proportion had opened to their own businesses.

b. The Organization of American States (OAS) Skill Training Program

This program trains young men from 16 to 25 years old in employable skills. They become self-employed or are referred for jobs. They are paid a stipend of $5 E.C. per day and placed on on-the-job training programs. They are trained in industrial sewing, agriculture, batik printing, at the fishery complex or placed

through hotels as part of the Hotel and Restaurant Assistance Program. Presently the OAS is supporting 38 trainees, 20 in Castrics and 18 in Vieux-Fort.

This training program is provided jointly with the government of St. Lucia that pays for the staff running the program while OAS covers the stipend costs.

Discussions are underway for a pilot project for Barbados and St. Lucia, where training in middle management, retail sales, typing, computer skills and data processing will be offered to 10 to 15 trainees. If this pilot project is ultimately revealed succesful, it will be replicated and would involve as many as 75 trainees at a time.

4. OTHER SERVICES

Apart from strictly technical matters, smaller scale enterprises in St. Lucia, also require assistance in some other current operations, such as marketing and market information, subcontracting brokerage, dealing with government incentives and regulations, access to technical information etc. Even though there is no unaminity among the "experts" in smaller scale business development on the most appropriate relationship between technical information and advisory services on the one hand, and the administration of credit, technical skills or marketing techniques on the other, there is relatively full agreement on the need to maximize their combined effects through close cooperation between agencies providing those services. In this perspective, inquiry was made about the level of involvement of other agencies and sought their advice sought in the planning of a small business development strategy. Both government and private voluntary agencies concerned with the smaller scale business sector. For instance, the St. Lucia National Development Corporation and Coopers and Lybrand are both promoting foreign investment and joint venture on a larger scale than the scope of this study. However, their comments are worth noting.

a. The St. Lucia National Development Corporation

Peter Maxon, Advisor to the National Development Corporation, deplored the lack of business preparation and investment plan of the smaller scale enterprises and thought that special courses should be designed for people who want to start a small business. He related his previous experience with a similar small business development program which was implemented in five West African countries while he was working in the Ivory Coast. He indicated that the Development Banks from the different countries were providing their financial services through a "Counseil de l'Entente." Loans were approved through this Cooperative Council, but follow-up and business management assistance were not integrated into the program. Even though he was convinced that the cooperative approach would be the most cost effective for the Eastern Caribbean region, he suggested that the key parameters of the development equation such as managment

training, marketing, skill improvement and information exchange be taken into account and be central instruments in the design of a sound and balanced strategy for smaller scale enterprises.

c. Coopers & Lybrand - PDAP

Coopers & Lybrand under contract with USAID to provide assistance to the private sector of St. Lucia is not directly concerned with smaller scale enterprises. Andrew Proctor felt that micro-enterprise development was not even worth his time and effort. He was interested in firms capable of generating at least 30 jobs. His goal is to create three to four thousand jobs a year.

In his opinion, smaller scale businesses are fraught with problems that can only be solved through long-range, subsidized programs. Among these problems, he pointed out, was that their products are too mediocre to compete in the market. Besides, smaller businesses have no idea about marketing. They usually are unreliable sources of supplies. In his view, there are no sure ways or quick solutions to improve the smaller scale business climate. It must take a long, long time. The smaller scale business sector must be subsidized through a subsidized development program. He indicated that one cannot expect to jump three generations and expect efficient private sector initiatives from the micro-entrepreneurs.

However he manifested the willingness to work with a group of farmers, with sizeable acreage, in projects with value-added significance, capable of creating about 30 jobs. He also thinks that it is highly desirable for his company to work in close cooperation with any project designed to serve the smaller scale enterprises. He stressed that such project must be based on international, regional and local linkages. He stated that a well thought-out and well implemented program can have a significant impact on the development of St. Lucia and have some lasting social benefits. Smaller businesses can serve as linkages to larger enterprises and provide some invaluable services to their communities.

c. The Peace Corps - Ministry of Community Development and the British Development Division

The Ministry of Community Development has been operating with the help of the Peace Corps a "Self-Help Income Generating Scheme" which started in 1978 as part of loan/grant funds for young people to start their own small businesses. Over $500,000 E.C. were provided for the scheme by the British Development Division. About 25% of the funds were aimed at rural development projects. The scheme has been administered by the Community Action Working Group (CAWG) made up of representatives from the Ministries of Community Development, Trade and Industry, the Central Planning Unit and the National Development Corporation and some PVOs.

Originally, a Peace Corps volunteer was assigned the task to run the program as a Small Business Advisor. He was to be assisted by a national counterpart that was never appointed.

Throughout the survey, Richard Barker, the Peace Corps volunteer, now at the end of his assignment, shared his sense of frustration about the scheme. He submitted a copy of his working loan portfolio, a sampling of 29 out of the 43 smaller scale businesses financed through the scheme. The average loan was $6,818.60 E.C. Out of the total portfolio amounting to $197,738.56 E.C., 58% was in arrears.(13) Richard Barker indicated that the high rate of arrears was due to lack of personnel and field extension agents to administer the program, and to follow-up and provide management guidance to the beneficiaries. He also recommended marketing assistance as a key element in any progarm aiming at the smaller scale enterprises.

d. The St. Lucia Associations for the Partners of the Americas

St. Lucia is linked with Rochester County in an exchange program intended to improve access to the U.S. market for Caribbean products as part of a Caribbean Marketing Assistance Project.

This partnershp is supported by the National Associations of Partners of the Americas, an international organization of 56 such partnerships linking U.S. volunteer groups to Latin American and Caribbean countries.

This program is the only attempt of its kind in St. Lucia. U.S. business experts from Rochester are expected to make market assessment in St. Lucia, identify product line and designs, and propose quality control standards capable of making these products competitive on the U.S. market. These U.S. businessmen would offer the services of a brokerage and clearing house in Rochester.

Claudia Jean-Baptiste who is the Executive Director of the Program, has her office at the National Research and Development Foundation in St. Lucia. She has been helping the handicraft projects of St. Lucia in product design, quality control and has been marketing their products to hotels and tourist shops. She is constantly seeking linkages from Rochester and other international centers. She is constrained by the lack of operational funds to run the program. She is presently organizing a trade fair to promote handcraft products as part of a fund raising campaign.

e. The National Council of Women

This Council is an umbrella organization representing eight member women organizations. One of the main objectives of this organization is to promote self-employment through handicrafts, cottage industries and other business activities. The Council also conducts fund raising campaigns to support the Upon Garden

Training Center, an institution which trains young women in home economics and child care.

The activities of this Council are also limited by lack of resources and lack of an administrative structure to carry out their programs.

f. Besides those institutions described above, there are also some other agencies such as the American Institute for Free Labor Development, Barclays Development Fund, the Christian Council of Churches, the St. Lucia Jaycees, the St. Lucia Rotary, OXFAM, the British Executive Overseas Office, listed as offering financial assistance to small business development. There is also a Central Marketing Board helping the agricultural sector.

All these institutions suffer from common problems: lack of funding to serve the beneficiaries, for staffing and follow-up to support their programs and difficulties in obtaining operational funds for such programs. Most of them are convinced that they should develop regional and international linkages, share information, coordinate their developmental efforts and seek means for self-sustainability. They all agree that they could benefit if a joint organization of support services could be established to provide an integrated package of assistance, thus spreading overhead costs over a number of decentralized units. With an organization designed to meet the critical needs of agencies serving the smaller scale business sectors, this sector could reach larger markets, increase and upgrade production capability and be a better credit risk for banking and financial institutions. A coordinating unit could also be instrumental in identifying, obtaining and distributing untapped resources on a cost-effective basis. These institutions are also looking for ways and means, as well as specific strategies or long-term schemes capable of allowing them to reach a level of self-reliance and attain a certain level of autonomy in the design and implementation of their own programs.

IV. SMALL BUSINESS ENTERPRISE OPPORTUNITIES

In general, the primary market for the products of smaller scale enterprises is consumer demand. The survey indicates that barely 25% of these businesses produce or sell to wholesalers. Markets for the products of smaller firms are highly localized with very limited spacial distribution of output.

It has been observed throughout the survey that tailors, while continuing to produce primarily for individual customers, have also begun to seek the wholesaler market. They have been trying to penetrate the school children uniforms and, or the services uniforms market. There is also a potential for cottage production where a wholesaler could organize a number of small enterprises to produce a standard item.

Also, even though most furniture manufacturers interviewed indicated they produce almost exclusively for individual customers on a custom order basis, some initiated much more aggressive marketing practices, reaching out for government contracts or the larger commercial sector.

In any case, with some assistance in marketing and quality control, these smaller scale enterprises can take advantage of a wide range of opportunities.

1. The economic growth of St. Lucia has been uninterrupted since 1982. Gross domestic investment has traditionally been high, often more than 50% of the Gross National Product. Given the small size of the economy, the execution of any major government project tends to have direct impact on the rest of the economy. Any slight level of local or private investment also tends to have similar growth effect on the economy.

As the economy continues to follow its path of growth, the income of the smaller businesses customers will increase and so will their expenditures in this particular sector. Expenditures on goods and services have remained at about 7% of the Gross Disposable Product during the last five years,(14) which is an indicator of potential growth opportunity for the smaller scale enterprises, should this trend continue.

2. Reference was also previously made to the potential of the existing or new smaller businesses in the service sector. For instance, Andrew Proctor, from Coopers & Lybrand, identified two specific areas of growth for smaller scale enterprises: garbage collection and printing, as a result of the expansion of the manufacturing and agri-business sectors. As the tourist industry continues to growth, there will be new areas for new businesses in St. Lucia. The National Research and Development Foundation has already received loan applications for water sport boat building. Also they are considering other pending applications for ice making, donut and pastry shops, ceramic production, terrazzo tiles, printing press, and various repair shops. These new businesses correspond to and confirm earlier surveys and analyses of the manufacturing activities of the Eastern Caribbean area in 1982.(15) It was then revealed that biscuits and snack foods, bricks, boat building, sandals, machine shops, sashes and doors, sporting equipment, and small foundries are new areas of opportunities.

3. The government has also recently enacted regulations to reserve some areas of economic activities strictly for St. Lucia nationals. These areas of activity offer new opportunities for smaller scale enterprises. As per a Cabinet of Ministers recommendation #645 dated July 5, 1984, the following areas of employment and businesses should be normally reserved for nationals:(16)

- o distribution, retail and wholesale
- o import for the purpose of trading

- operation of agencies and distributorships
- real estate rental and speculation
- operations of restaurants
- production of agricultural goods, handicraft, furniture, soft drinks, bread and pasta.
- quarraying
- services such as secretarial, accounting, clerical help, hair dressing, laundry, internal hire, transportation, vehicle and other repairs
- advertising
- entertainment
- construction, repair and maintenance of building and other facilities
- operation of guest house of less than 10 rooms
- operation of a manufacturing or processing plant in which investment is below $250,000 E.C. and employment is offered to less than 10 nationals.
- landscaping
- printing
- commercial fishing

These areas of opportunity represent actual and future possibilities for business expansion, new services or products, and will be new sources of employment, if assistance is provided to assist nationals into these new directions.

V. IMPEDIMENTS TO SMALL BUSINESS GROWTH

There are a few local problems that are and continue to slow the growth of the smaller scale businesses in St. Lucia.

1. Technical Inefficiencies

First, these firms are technically inefficient, by the fact that they have lower capital intensity , employ more labor and more capital per unit of output. As such they tend to sell at higher prices. Then by selling a product that is technically inferior at a higher price, these firms price themselves out of the market. This problem was raised by many in St. Lucia as one of the constraints to any linkage between the smaller scale enterprises and the larger enterprises.

Thus it becomes imperative to establish a relationship between the technical skills of an entrepreneur, the level of technical efficiency of his or her enterprise, and its potential for success and growth. Previous studies seem to indicate also some significant correlation between technical efficiency and the entrepreneurs stock of information. Smaller scale businesses which should be supported must be those which can reach a level of modernization or transformation of their traditional production process. So the presence and extent of any form of technical inefficiency due to lack of technical skills or experience in the field, or factor disproportions are serious handicaps to the growth and success of smaller scale enterprises.

2. Insufficient Working Capital

Apart from technical inefficiencies, smaller scale enterprises operate within a segmented capital and labor market. Whereas they benefit from the labor segmentation, since they usually pay lower wage or use apprentices, they always report difficulties in obtaining a private or public sector loan. Unlike many developing countries, St. Lucia has been catering to the smaller scale enterprises. The St. Lucia Development Bank offers preferential rates on short-term smaller loans. However, these smaller businesses cannot offer the required collateral or initial investment to obtain a loan. Furthermore, this lack of access to credit is particularly most acute in St. Lucia since smaller firms from all levels reported problems in obtaining adequate working capital. Respondents in most enterprises surveyed, and the President of the Small Business Association identified insufficient working capital as a major constraint limiting the ability to maintain adequate stocks of finished goods and raw materials. At the same time, these firms must extend credit to their customers and pay cash for inputs.

This constraint was also mentioned as a major reason for the failure and closing up of a few firms in the agro-business sector. It is also an explanation of the failure of smaller firms to produce standardized products for inventory. Work done on a custom basis, particularly with materials provided by the purchaser, reduces the needs for inventory of both inputs and outputs. The transition of firms from craft-based activities to smaller scale modern enterprises may therefore require substantially greater access to working capital than what is currently available in St. Lucia.

3. Economies of Scope Versus Economies of Scale

There is no need to stress further the lack of managerial skills and how smaller firms frequently show very low standards of organization in the production process. Despite this fact, the survey has noted a tendency on the part of smaller scale enterprises in St. Lucia to diversify their holdings or activities rather than to reinvest profits in expanding a single enterprise. It is obvious that because of already deficient managerial ability such growth by diversification can only be harmful in that it detracts the owner/manager's attention from the efficiency of his initial investment. Interviews have revealed that these smaller investors tend to expand their holdings from real estate to commercial and trading activities and vice-versa. There was also a case of an owner-manager running both a paper bag company and a food export firm, one located in Castries and the other in Gros-Islet. Such portfolio diversification appears to be a national response on the part of smaller scale enterprises to keep their firm size to the level where they are not noticed by public authorities for fiscal reasons and also because of the risk associated with investment in a manufacturing scale they do not feel capable to handle.

In any event, such a tendency remains an impediment to the growth of the smaller scale enterprise and a loan policies should be designed to penalize such diversification unless entrepreneurial and managerial capabilities suggest otherwise.

4. Size and Capacity Restrictions

Small firms exhibit different rates of capacity utilization. The survey revealed that most smaller firms have a few months of full capacity and some months of underutilization. These firms rarely operate on more than one shift and the percentage of projected full capacity output by such firms in St. Lucia would probably average about 40 to 50%. Yet these enterprises cannot at full capacity respond to large orders. Demand stimulation has seasonally given rise to higher rates of utilization. Still, increases in the demand for small enterprises output tends to stimulate new entrants rather than fuller utilization of existing capacity. So because of size constraints, smaller scale firms have to piggyback to respond to a local wholesaler purchase order. Nevertheless, whenever effective seasonal demand expands to full capacity utilization, these firms can double employment and triple output without requiring additional investment. Even though size is a restrictive feature of smaller scale enterprises, this feature can also be a policy instrument to expand small business activities. Smaller scale firms can only grow to a limited scale.

VI. POLICY ENVIRONMENT AND CONSIDERATIONS

Although industrialization efforts have been focusing primarily on large scale firms, import substituting investment, export manufacturing assembly and joint venture, smaller scale enterprises have not been neglected by policy makers in St. Lucia. As previously mentioned, the National Development Corporation of St. Lucia and Coopers & Lybrand, a consulting firm under USAID contract, have been promoting foreign private and local investment in larger scale ventures capable of creating a great number of jobs in St. Lucia. However, the policy environment has also been favorable and conducive to the development of smaller scale businesses. Among the policy interventions which were aimed at this sector, actions have been designed to provide liberal development bank access to smaller business operations, special projects were initiated to provide start up loan/grant package to young micro-entrepreneurs, tax incentives are offered to smaller enterprises and efforts are directed to increase the number of nationals engaged in businesses by reserving some areas of manufacturing and services strictly for St. Lucia nationals.

1. Liberal Development Bank Policy

In December 1980, a year after independence, legislation was enacted to charter the St. Lucia Development Bank. The bank was created "to make loans or advances or provide any form of credit or assistance to any development enterprise." It defined

development enterprise to mean agriculture, fishing, industrial, hotel or housing businesses or any other enterprise declared as such by the Ministry of Finance. Generally, the lending policy of the Bank was to give priority ot projects which:

- have a high multiplier effect;
- help reduce imports;
- augment exports and foreign exchange earnings;
- assist in improving the rate of growth of production and productivity;
- generate employment;
- promote rural development; and
- have forward and backward linkages with the domestic economy. (17)

More importantly, the Bank has set lower limits of $3,000 to $5,000 E.C. for small loans depending on the type of enterprises to be financed. Normally the Bank will meet up to 80% of the total project cost. Although all loans must be adequately covered by security, such collaterals as bill of sale, guarantee mechanism, crop lien, life insurance, chattel mortgage on equipments, land and buildings have been accepted by the Bank. Still there are instances where the Bank has been flexible enough to consider in kind investment as part of the borrower's 20% initial investment requirement.

2. Special Projects

Considering that most smaller scale businesses were concentrated in the retailing or "tray economy" sectors, the government has sought to encourage and develop the agro-industry and light manufacturing sectors. As a result, the Ministry of Community Development in cooperqation with the Ministry of Trade, the National Development Corporation of St. Lucia, the Peace Corps and with the participation of community groups, began operating a "Self-Help Income Generating Scheme" providing part loan/part grant funds to young people who wanted to start a small business. The funding for this initiative was provided by the British Development Division.

Following an evaluation of the scheme in 1980, the grant component of the program was discontinued. Today, even with a very high rate of arrears, this project is considered to have an important social impact and to have helped small business people who would have never had such opportunity.

3. Tax Incentives

The government of St. Lucia has extended all the fiscal incentives, offered to foreign investors, to nationals starting a business in the country. Such incentives provide free customs duty for equipment, machinery, spare parts, raw materials or components of the plant, to any approved enterprise to be established in St. Lucia, if classified under one of the established categories, depending respectively on 50%, 25% and

10% value-added,

Group I enterprises would receive 15 years of tax holiday;
Group II enterprises would receive 12 years of tax holiday;
Group III enterprises would receive 10 years of tax holiday.

A few firms have benefited both from the import duty exemption and the fiscal incentive. One of the firms only hired seven employees.

4. Indigenization Efforts of Small Scale Enterprises

As another example of smaller firms being objects of policy intervention, indigenization efforts were also designed to increase the number of St. Lucia nationals engaged in retail trades, manufacturing, and services. Reference was already made on section IV.3 of this study of the Cabinet of Ministers recommendation #645, dated July 5, 1984 reserving a complete list of businesses to nationals of St. Lucia.

5. Loan funds

The one serious problem frequently referred to is that the St. Lucia Development Bank is quite often dealing with loan funds constraints. This constraint has led sometimes to credit rationing which tends to channel the bulk of funds to the largest and most eligible recipients as a matter of lending policy of the bank. Policy initiatives should be directed to redress this bias against smaller scale enterprises by reserving a portion of the bank loan funds for the exclusive use of this small business sector.

VII. RECOMMENDATIONS AND STRATEGIES

Among the policies directed specifically at the smaller scale business in St. Lucia, one important feature must be the provision of a comprehensive infrastructure in which these enterprises can be initiated, followed up, evaluated, if they are to be successfully replicated. Such infrastructure must link the different vital components, credit, managerial and technical training and extension, marketing, information exchange into a comprehensive and holistic program capable of securing a sustained development program for this sector.

Such infrastructure must be conceived at three different levels and should address the specific needs of the different scales of enterprises. This infrastructure should be linked at the local, regional and international levels.

At the local level, an effective and efficient structure, capable of coordinating the developmental effort, staffed with field extension agents to reach out to the smaller scale enterprises throughout the island, should be established. Such local institutions should also be able to utilize local resources in skill training, marketing or managerial training capability of

other agencies to provide comprehensive support to smaller scale businesses. It should also secure local participation to the program.

This local structure should be linked to a regional coordinating unit which would monitor credit programs, evaluate progress, identify successful projects and participate in project implementation. This regional unit would also design cojointly with local units, specific training programs and seminars on a cost-effective basis. This regional unit should also provide a network of information and exchange experiences through mechanisms to be devised by the international level. This unit would be the obvious link between the international unit and the different islands units.

The international level would be responsible for the overall administration and implementation of the program. It would intervene in these areas of expertise not available either at the local or regional level. It would provide technical assistance in the building and strengthening of the local and regional institutions. It would establish marketing linkages and offer marketing techniques assistance. It would design specific schemes for small business development. It would supervise the testing of new methodologies and evaluate the phases of project implementation. It would be in charge of the overall development strategy and the success of this small business development program.

Once this infrastructure is established, there are various alternatives which can be considered and which can benefit small businesses in St. Lucia. It must also be clarified that these strategies should place special emphasis on the specific needs of the two broad categories of businesses observed in St. Lucia: the micro-enterprises and the small industries.

If one wishes to consider alternatives other than assisting smaller scale enterprises than through OPGs and cooperative agreements, there is a range of alternatives from which decisions can be made to improve smaller scale businesses conditions in St. Lucia:

1. Promotion of Smaller Scale Enterprises in Sectors of Potential Opportunities

Knowing some specific areas of new business opportunities, a local institution could be provided funds in these selected areas to help potential entrepreneurs to start new enterprises; the areas reserved to nationals of St. Lucia, or in specific areas such as printing or selected services to manufacturing or agri-business sectors. It should advertise these new business opportunities, prepare investment profiles for them, allocate funds for them, and select and train people to run these businesses. This institution could take some equity in the investment plan and share the risks of the venture.

2. Regional Arrangements

St. Lucia can also draw resources and benefit from a regional institution handling of a loan portfolio for the Eastern Caribbean region. Considerations should bear on the fact that such a regional loan portfolio must be able to serve both the needs of the micro-enterprise sector at one level and the pressing needs for working capital of the small business sector. Such loan funds could be accessible both to the National Research and Development Foundation catering to the micro-enterprise sector and to the Cooperative League of Credit Unions dealing particularly with agriculture and the agri-business sector on the one hand. On the other, special windows could be arranged with the St. Lucia Development Bank to respond to the needs of the small business sector and the larger scale businesses. For the case of the micro-business sector, reference can be made of the Solidarios approach serving the Latin American intermediaries with great success and efficiency. For the case of the small business sector, a regional financial institution or a U.S. PVO could channel these funds to the local banks until a regional institution could be identified to serve as the intermediary.

At the same time, similar regional arrangements could be worked out through contractual agreements to provide technical assistance in management, technology transfer, information exchange and marketing tailored to the needs of the different business sectors. One or two different specialized agencies could have the responsibility of the technical assistance package.

3. The "Walking on Two Legs" or Big Brother Approach

In this alternative, an institution could be designated and contracted to seek and establish linkages between the larger modern businesses and the micro or smaller industries. This institution could work closely with the office of Coopers & Lybrand Program of Development Assistance Project to link smaller scale enterprises with larger businesses through subcontracting, cottage type of facilities or the setting of undertakings involving a group of micro-businesses in a particular sector. This arrangement can have the benefits of a rapid accumulation of capital for the smaller scale enterprises. It can provide tax or cash incentives to larger businesses. It can provide skill training opportunities to the smaller entrepreneurs. It can reduce the initial investment outlay for the larger business, if through this Big Brother approach, funds can be made available to purchase better equipment and set up skill training workshops for groups of small entrepreneurs who will work on the cottage basis to fill large orders for the larger businesses.

4. The Coordinated Integrated Approach

This alternative should be considered as the ideal strategy. It implies the integration of all the above alternatives in one coordinated package. It suggests an infrastructure made of a

U.S.-based PVO, a regional coordinating body and extensive local input and participation.

The U.S.-based PVO can be selected to gather the expertise needed to set up the structure and mechanisms necessary to build the regional and local institutions required to serve and support the small business sector. This U.S.-based institution should be able to gather a pool of U.S. and Caribbean experts capable of providing assistance and developing capabilities in the area of management, marketing, technology transfer, information exchange and development of linkages between the smaller scale enterprises and the formal sector. It should, in the process, set up or collaborate with a regional institution which would coordinate the different parts of the program in the region. This regional institution would in turn secure the participation of local agencies, monitor, evaluate their activities, and seek to encourage and replicate successful development efforts. It would work closely with the U.S.-based institution to monitor progress at the local level in terms of number of clients assisted, number of small businesses started or strengthened or small producer groups formed. It would also assess the impact of the program in relation to this new investment in the small business sector on marketing opportunities offered to the various scales or types of businesses. It would account as well for the number of trainees and training materials produced or pieces of technical information disseminated in the region.

The local agencies would participate at all levels and feed the regional and international levels with their requests for assistance and progress accomplished in the field.

Finally, it is also suggested that precise criteria and guidelines be clearly stipulated in any contractual agreement so that the performance of the project can be evaluated not only on the net rate of financial return, but also in terms of jobs created, any increase in the level of income, the improvement of socioeconomic conditions in the region, and the long-range self-sustaining capability of the project.

Too often the probability of failure of a project has been determined by the probability of its negative financial net worth. In my interview with Andrew Proctor, from Coopers & Lybrand, it was clearly stated that a financially viable micro-business sector development program is a long-term strategy. As such, programs of that nature should be evaluated by development specialists with skilled judgment capable of using risk analysis as a powerful technique enabling the handling of risks and uncertainties about the viability of marginal projects, but also capable of conceiving the most appropriate design, phasing and size for a successful and acceptable marginal and small business program in the context of small, weak, fluctuating and vulnerable economies of the Eastern Caribbean region. Risk analysis allows the assessment of the acceptability of such projects, not only on wide range estimated opportunity cost of capital, but also through the comparison of a varying range of internal rates of

return as well as a great deal of other variables which would otherwise be lost without the use of such methodology.

Conclusions

Current concern for the problems of unemployment in St. Lucia has revived interest in the role of small scale enterprise in the process of economic development. High and rising rates of unemployment have been posted at 27%. Despite the substantial growth of output in the modern, formal industrial sector activities, the rate of employment creation has failed to keep up with the rate of increase of the urban population. Although the potential of the formal sector can be increased by higher rates of capital formation, current investment promotion and incentives, the scope for generating major increases in industrial employment in large scale manufacturing remains not quite certain or limited. Consequently, the promotion of smaller scale enterprises is geared to be an important aspect of an employment oriented strategy of economic development. It is widely believed that smaller firms are more labor intensive than larger scale enterprises, they are more geographically dispersed, or more accessible to local entrepreneurs. Since they reflect technical inefficiency, small enterprises (both capital and labor intensive) may create employment at the cost of a sacrifice in the growth of output. Promotional policies of this sector should be undertaken conjointly with current development initiatives of the formal sector.

Among other considerations in favor of the promotion of the small scale enterprises is the constant increase in consumption expenditures in St. Lucia. Consumption has been increasing steadily from 85% of GDP in 1978 to 91% in 1982. Real consumption has grown at an annual average of 6.5% during the last five years, or about 5% in per capita terms.(19)

Banking credit grew by about 15% per year during 1978-1981 and credit to the public sector has grown relatively slowly while credit to the private sector has expanded rapidly. Any decrease in credit to the public sector will make more funds available for credit to be extended to the private sector, releasing funds for the development of smaller scale businesses. On the other hand, the foreign private sector is being encouraged to invest in St. Lucia and is projected to increase its capital inflow, attracted by favorable conditions. Real growth in this sector is also due to have positive effect in the growth of the related services offered by the small scale business sector.

Then, assuming that an infrastructure can be established to coordinate the various programs addressed to the development of smaller scale enterprises, special emphasis should bear on the specific needs of the different scales of small enterprises. Even though particular attention should be paid to the financial needs of the micro-enterprise sector, different financial packages should also be tailored to the needs of the intermediate and currently defined small enterprises. In other words, it is

like saying five to each according to its scale and to its needs. Given a scenario through which financial, technical, marketing and information resources can be made available to the small businesses, the last word of caution should be to design mechanism to attract and secure the full support, participation and input of the Eastern Caribbean constituency. In promoting private sector initiatives, strategies are conceived also to promote the democratic way of life. Today in two thirds of the world, democratic systems do not exist. To reach the people of these two thirds, one must use the third channel of the non-governmental organizations. This channel operates on three notions that should be keyed in the design of that overall strategy for small scale enterprise development: the notion of cooperation, the notion of efficiency, and the notion of trust. The first two speak for themselves, but the third one is quite often overlooked. The notion of trust, however, is what usually guarantees the success of any development program geared to the grass-roots, because in development affairs one cannot foresee everything by contract. The more one approaches the level of poverty, the greater the mistrust toward outsiders. You cannot ask people to trust you if you are not wiling to walk side by side with them and start trusting them. Consequently, project design should built on the principle of participation and offer practical and lasting knowledge of democratic principles. It is only on this basis and through a more dynamic and participatory private sector that progress can be achieved in the development of a smaller scale business sector in St. Lucia.

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10. Andrew Porter is Advisor - Coopers & Lybrand Project Development Assistance Program, a USAID Financed Technical Assistance Contract.
11. St. Lucia Development - Lending Policy Publication of the Bank
12. Copy of loan portfolio report, St. Lucia Development Bank
13. Copy of the Working Portfolio of the Self-Help Income Generating Scheme, attached.
14. St. Lucia Economic Memorandum. Ibid., pp. 4
15. RDO/C: Prog./ECON D.M. Harrison & I.S. Bennett, 1982.
16. See Attachment #
17. St. Lucia Development Bank, Lending policy, p. 4

I. SUMMARY AND CONCLUSIONS

A. Socio-Economic Background

St. Vincent is a mountainous island 150 sq. miles in area with a population of about 120,000. The per capita GNP is in the range of US$ 700-800, depending on assumptions used in estimating it. Principal exports are bananas, root vegetables and a number of small-volume agricultural products, including arrowroot starch. Industries working on contracts for, or owned by, U.S. companies have in recent years begun to contribute to foreign exchange earnings.

A very large proportion of consumer goods and all equipment and industrial supplies are, with few exceptions, (notably some wood), imported. St. Vincent's is a very undifferentiated economy, with little vertical linkages, dependent on unprocessed exports for its wellbeing and producing little of what it needs. The level of unemployment is very high.

Small businesses, in the sense accepted in the present report, (i.e. excluding "non-productive" retailers, restaurants, hotels, etc.), are imprisoned within a small area of activities, barred from expansion in the internal market by the pervasivenss of imported goods, and unable to engage in exports due to its small scale and lack of necessary information. Small exporters of produce are a noteable exception.

B. Number, Composition and Characteristics of Small Businesses and its Problems and Constraints

Among some 1,500 members of the group of "productive" small businesspersons, some 400 are full-time and part-time artisans in decorative crafts and tourist souvenirs. The "traffickers," (exporters of produce), account for another 350. The rest engage in some 20 basic trades and services among which the most important are food processing, furniture, clothing and other textile articles, and leather goods.

The salient characteristics of the businesses under review are their smallness, extreme scantiness of equipment (mostly obsolete), and lack of funds for new equipment and working capital. Bank loans are accessible only to those which can offer sufficient collateral.

Except for processors of local produce, most small businesses buy their materials and supplies from local importers, at high prices and with little alternative choice. In these conditions they cannot produce a uniform quality product. Owners are not aware of their need of management assistance. Practically no written records, let alone more sophisticated accounts, are kept.

C. Private-Sector Institutional Support

Two local PVO's, national in scope, are principal agents of support. The recently activated National Development Foundation (N.D.F.) is explicitly designed to offer technical and management assistance and credit to small businesses, especially those which cannot satisfy collateral requirements of private banks.

The Organization for Rural Development (O.R.D.) has been active in community projects, technical assistance and farm credit for nearly ten years. O.R.D.'s program includes coordination of farm produce supply for local food processors.

The Chamber of Industry and Commerce, while it continues its traditional activities in support of large-scale manufacturing and commerce, has now included in its policies interest in, and support for, small business.

D. Conclusions

i) Most of the factors which inhibit the growth of small scale businesses in St. Vincent have their roots in the <u>smallness of scale</u>: small population, small market, scanty capital resources, small individual capability to deal directly with foreign suppliers of materials and foreign buyers of manufactured products and to obtain information needed for effective business. This is a formidable obstacle to export-driven economic growth.

A solution that forces itself on an observor of the Vincentian economic scene is that of progress through cooperative(*) associations in respective trades. Two examples of projects actually discussed in St. Vincent will illustrate the proposed solution:

- In furniture manufacturing industry there are possibilities of supplying, on contracts to U.S. firms, furniture parts and even entire "knocked down" chairs, etc. Such production, however, requires the use of automatic lathe and other accessory equipment. No single furniture maker in St. Vincent could afford to buy, or obtain credit for such expensive machinery.

(*) The word "cooperative" is used here in its generic sense and does not imply any specific legal form such as e.g. "producers' cooperative."

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An energetic businessman recently formed an association of furniture makers. His project is to construct a lightweight building in which each member could rent workshop space for his own independent activities. A commonly owned automatic lathe with accessories would be located in the building and available to members on a time-sharing basis at an appropriate charge. Foreign orders would be shared according to an agreed upon formula. Also, members would be able to buy machine-time for their individual production for the local market.

- In the fruit processing industry, enquiries from the U.S. and Europe have been received for various products, but the minimum-size of equipment necessary to produce product acceptable to foreign buyers is much too costly for a small businessperson. A concept is currently under discussion by a local experienced food technologist in collaboration with the Organization for Rural Development to seek a loan for the construction of an appropriate plant. In this case, the cooperative element would be on the level of coordination of many farmers who would supply on a contractual, (and perhaps profit-sharing), basis various raw materials for the processing plant.

ii) In general, the principle of association and of satisfying in a consolidated manner needs of many businesses, each of them too small to deal with these needs by itself, can be applied to the following crucial business functions:

- Information on most appropriate equipment for specific production plans.

- Information on alternative sources of foreign materials and supplies and cost-saving bulk purchases of such items.

- Export market research and export management (in the manner well known and used by many smaller manufacturers in the United States).

- Search for new product designs, materials and techniques.

- Export promotion events, exhibitions, catalogs, etc.

iii) If a small business support program is realized in St. Vincent on a substantial scale, there will be a need for a national policy with respect to various product lines and some form of "triage" will be unavoidable to prevent over-production. As an illustration of the quality acceptable only to the local markets, our survey identified six small producers of pepper sauce and food seasoning. Undoubtedly an equal number escaped our attention. If all these enterprises were to successfully grow and expand, the country's population could not possibly absorb their output. The same will be true for many other products which are not of exportable quality.

iv) The above considerations apply on the intra-regional and even international levels. One suspects that various Eastern Caribbean islands, simultaneously and without regard to each other's intentions, may be planning expansion of identical products and expect to export them within, or outside of, the region. There would be no room in the region for all these products and even the vast US or European markets have their limits, especially since competing supplies are offered from all countries of the tropical world.

Only a coordination on the regional level could prevent such unrealistic and wasteful planning. Some, occasionally painful, trade-offs between the islands may be unavoidable to prevent a beggar-my-neighbor economic climate in the region.

v) The present report, being concerned with St. Vincent's small-business problems, does not engage in issues which will be dealt with in the perspective of the Easten Caribbean region. Regarding St. Vincent, the following needs should be satisfied to stimulate and facilitate a vigorous, predominantly export-driven growth of the small business sector:

- Training in management, accounting and basic, industry specific subjects.
- Technical assistance in firm-specific problems.
- Credit for promising businesses and cooperative ventures which lack collateral for conventional bank loans.
- Facilitation of cooperative arrangements by the means of which associated small businesses can benefit from the economies of larger scale.
- Access to support mechanisms for well-informed, individual or associated purchasing of equipment, materials and supplies at competitive costs, with possible savings through consolidation of orders; and for information on new materials, methods, etc.
- Access to support mechanisms for export marketing information, possibly export management, product promotion, etc.; and for information on new designs and products on foreign markets.
- Coordination on the national level of training support and credit programs.
- Mechanisms for presentation and advocacy on an intra-regional level of St. Vincent's plans for small-business exports and for negotiating, if necessary, trade-offs with other islands.

II. SOCIO-ECONOMIC BACKGROUND

St. Vincent and the Grenadines has a population of about 120,000 on an area of 150 square miles (385 km2). Since some two-thirds of the island consists of fairly high (up to 4,000 feet) and steep mountains, the population-density figure of about 800 per square mile (about 300 per km 2) is rather misleading. Less than one-third of the island's area (at most 30,000 acres) is fit for agriculture. Most of the population is concentrated in, or near, these areas, with the resulting much higher localized density.

With the exception of the capital city of Kingstown (about 20,000 population including adjacent communities), the country has a predominantly rural character. The number of farms, mostly small or very small, is between 8,000 and 9,000. Yields and farming techniques are in need of improvement.

The literacy figure is 95%, however, the functional literacy has been found much lower.

The country's demographic profile is that of a very young population: 44% of the nation, or some 53,000 persons are below 15 years of age.

In the working age group comprising roughly 60,000 to 65,000 persons, unemployment is visibly very high. Estimates vary. Some observers estimate the unemployment rate as high as 45 percent.

Estimates of per-capita income also differ, depending on definitions and assumtions. The World Bank estimates the 1983 per capita GNP at factor cost at US $765. One should expect a substantial inequality of distribution. In the farming population, the per-capita figure is undoubtedly much lower than the average.

An important social and economic factor is the emigrant class in the U.S.A. and U.K., very substantial in proportion to St. Vincent's total population. Remittances sent by these emigrants to their families on the island are a significant contribution to the country's income.

St. Vincent's economy shows little vertical or horizontal differentiation. More than 50% of exports consist of bananas and a limited number of other unprocessed agricultural products. Of the remaining exports, flour produced from imported wheat and articles produced from imported materials on contracts for "enclave industries" have a major share.

On the consumption side, out of the total private and public consumption of some US$ 61 million in 1983 imports accounted for

about US$ 40 million. Of the remainder, a major part was spent on local non-processed food. The expenditure on locally manufactured goods was thus very limited.

In 1983, agriculture and manufacturing contributed respectively 15% and 10% of the gross domestic product. Transport and communications showed a high percentage of over 15%, not surprising, because of the insular character of the country which depends on a few bulky exports (bananas, rootcrops, etc.) and which imports most of its manufactured consumer goods. Construction constituted a significant item of 12%. These four groups accounted together for 52% of the GDP and included a large part of the small business. The remaining 48% consisted of wholesale and retail trade (10%), public administration (including schools) 19%, and financial services, hotels and restaurants, financial and real estate services, electricity and water and other services (19%).

The present shallowness and narrowness of the Vincentian economy, as illustrated by the above figures, is not without a potential for economic growth. Among the multitude of imported consumer goods, some could be locally produced without artifical protection. The high cost of transport and distribution of imports in small volumes, creates some competitive advantage for local production. Also, processing or semi-processing of local tropical raw materials could significantly contribute to exports. Finally, subcontracting to foreign importers has barely begun and their is still much room for it to grow. In all these developments there is room for small enterprises to participate.

The economy, strengthened by some import substitution and growth of exports with an increasing value-added component would then, by multiplier effect, create still more demand for small business enterprises offering goods and services to a more prosperous consuming public.

Taxes, duties, foreign trade licensing

- Individual income tax is markedly progressive. From 2% on the first taxable EC$ 1,000 (US$ 370) it rises to 55% on taxable amounts above EC$ 20,000. Personal deductions for an average family give it a tax free income of some EC$ 4,000-5,000 before the lowest rate becomes applicable. It seems that individual income-tax evasion is widely spread among micro- and small business people who, as a rule, do not keep written records.

- Corporate income tax is applied at a flat rate of 45%.

- Wholesalers and retailers pay 3% Traders' Turnover tax on sales exceeding EC$ 5,000 per month.

- A so-called consumption tax, varying from 5% to 35% depending on the type of article, is levied on imported consumer goods. Since most goods consumed in St. Vincent are of foreign origin, this tax is in effect a sales tax on consumer goods.

- Customs duties are applied according to the CARICOM code.

- Import licensinng is applied as a measure of protection for domestic industries. Among products enjoying protection are wooden furniture, certain articles of clothing, fruits, milk, meat and paints.

- Export licensing is applied mainly to food products in order to assure sufficient local food supply. It seems that in recent years no export licenses were refused.

III. PRESENT STATE OF THE SMALL BUSINESS SECTOR IN ST. VINCENT

A. Number of Small Businesses and Composition by Trade

For the purposes of the present discusion we exclude purely commercial and service activities which do not directly contribute to the country's productive power: peddlers, retail and wholesale (except of the agribusiness type), restaurants, taxi drivers, laundering, secretarial services, etc. Our survey was concerned with small businesses which involved at least a certain amount of processing or acted as links between the local agriculture and exports, such as "traffickers", i.e. small export traders in produce, trucking, etc.

Thus defined, the small business estimate includes some fifteen hundred to two thousand individuals. Some of these businesses, while often very small, are clearly identified, with visible assets and equipment (scanty as it may be), such as a bakery oven, cabinet maker's or carpenter's bench and tools. On the lower end of the scale are individuals engaged, sometimes part-time, in basketry and other decorative crafts, a great number of them affiliated with one of eight rural craft centers. Many small business persons in rural areas are also small farmers.

There are about 400 rural and urban craft workers who may widely differ in their respective levels of skill and sophistication. The important group of traffickers includes some 300 to 350 members. The remaining 700-800 members of the sector are engaged in some 20 various trades and services.

Statistics in St. Vincent are very limited and do not cover the composition and total number of the sector under consideration. The above estimates were derived from fragmentary official documentation, figures made available by the National Development Foundation and conversations with persons familiar with at least a part of the total picture.

To get an idea of the numerical importance of various trades, our own interviews (not absolutely random) and an analysis of the portfolio of requests for loans from the National Development Foundation were compared with the list of craftsmen and small workshops who obtained licenses (for imports, exports or other purposes) from the Ministry of Trade, Industry and Agriculture. The results are as follows:

TABLE 1. Importance of Trade Groups

TRADE GROUP BY S.I.T.C. Number		OUR INTERVIEWS AND REQUESTS TO N.D.F Number	%	LICENSES ISSUED BY MINISTRY OF TRADE, INDUSTRY AND AGR. Number	%
04	Bread and pasta	4			
06	Hard candy	1			
09	Misc. food preparations	6			
	Subtotal foods	11	30.6	54	39.7
54	Herbal remedies	1	2.8		
63	Wooden music. instruments	1	2.8		
65 & 84	Textile articles and garments	3	8.3	59	43.4
66	Concrete blocks	2	5.5	5	3.7
75 & 76	Computer services and recordings	2	5.5		
79	Transport of produce, furniture, etc.	1	2.8		
82	Furniture making	5	13.9	14	10.3
61, 83 & 85	Leather crafts, footwear	4	11.1	4	2.9
90	Various services including export trafficking in produce (4 businesspersons)	6	16.7		
	TOTAL	36	100.0%	136	100.0%

The above figures indicates the importance of food processing, textile articles and garments and furniture making. (The last group enjoys a strong protection through a virtual ban on imports of wooden furniture). The importance of leather crafts and footwear is debatable and not at all certain.

Most conspicuous is the absence of mechanical, metal working and machining workshops from the above lists. It must be interpreted as an indication of the very low degree of mechanization of the Vincentian economy.

An industry of special interest because of its role in exports of Vincentian vegetables is the fleet of some seven to ten boats ranging in their carrying capacity from 30 to above 150 tons. These boats make regular weekly sailings, mostly to Trinidad and with much smaller volume to Barbados, carrying the produce exported by traffickers. On return trips, they carry various dry goods and hardware to St. Vincent. Besides these boats, a fleet of some seventy to ninety Vincentian boats are circulating within the Eastern Caribbean region, serving intra-regional trade and venturing out of the region.

The Grenadines. This group of small islands, with a total population of about 10,000 and a very limited agricultural potential, is oriented predominantly towards fishing and tourism trade. The small non-retail business is represented here by some ten garment and shoemaking workshops and about ten craftsmen who manufacture at home various tourist souvenirs made of coral, shells, tortoise shells, etc. and sell them at passenger wharfts and other places frequented by foreign and Vincentian visitors. The fishermen sell their catch in St. Vincent and Grenada. Some salting and drying of fish, but as yet no smoking is done on these islands. A P.C. volunteer is currently working with a proto-cooperative group of fishermen.

B. Characteristics, Problems and Constraints of Small Business in St. Vincent

The salient characteristics of small business in St. Vincent reflect the socio-economic setting in which this sector operates. As in many less developed economies, St. Vincent has its small "modern" sector composed mainly of large importers, few large exporters and a few manufacturing firms working as off-shore suppliers of U.S. firms. A sprinkling of professional services, commission agencies, transportation, construction, communications and tourism-oriented firms and a number of well-off foreign retirees complete that sector.

Most of the country's population remains in the "traditional" sector based on the low-income urban, semi-urban and rural small-farmer economy, with some vestiges of the colonial plantation past. Goods sold by the modern sector to the rest of the population are fully finished, relatively sophisticated, mostly imported and require only the retail link for their

distribution. On the other hand, goods sold by the traditional sector to the "modern" sector are almost exclusively in the crude form of agricultural commodities for local consumption and export. No significant value is added to them in St. Vincent, except the services of the local exporters and shippers. No substantial vertical linkages with value added have as yet developed between the two sectors.

Local small business serving the local population has not yet developed beyond the few essential trades indicated in the preceding section. Production, support, repairs, and maintenance linkages between traditional small businesses and the modern sector are very rare. This lack of vertical production- or service linkages was referred to in Chapter I (Summary and Conclusions) as the "shallowness of the economy."

The remainder of the present chapter lists the features of the Vincentian small business and of its environment which the survey found to be of special significance.

1. Size of enterprises - financial

It was possible to obtain meaningful estimates of the value of equipment and the gross volume of sales in 1984 for, respectively 31 and 32 businesses out of the total sample of 36. (See Table 2 below).

All of the figures in Table 2 have to be taken with a great deal of caution because most small enterprises do not keep books and the informants relied mostly on memory when responding to the interviewers. Also, in the cases of some antiquated equipment it was very difficult to estimate its value.

With all the qualifications as to the reliability of the figures, it is clear that the small business sector in St. Vincent, from the financial viewpoint , is not a homogeneous group. Moreover, the majority of enterprises are very small: 65 percent of the sample have equipment worth less than EC$ 10,000 (US$ 3,700); 1984 gross sales of 60% of the businesses reviewed were less than EC$ 30,000 (US$ 11,000).

2. Size of enterprise-employment

The number of employees, excluding the owner and often his wife, is about two per average business. Here again, as in the case of financial size, there are a few exceptions with the employment up to 15 persons.

Craftsmen present a special case: St. Vincent Crafts, a cooperative of decorative crafts with its headquarters and two buildings in Kingstown, has eight regional centers said to comprise some 400 members (probably not all of them working full time). The buildings in Kingstown accomodate some 12 craftsmen (jewellers, wood workers, etc.)

Table 2. Size of Enterprises

VALUE OF EQUIPMENT (excl. auto) EC$	NUMBER OF BUSINESSES	
less than 1,000	4	
1,000 to 5,000	13	
5,000 to 10,000	3	20
10,000 to 20,000	5	
20,000 to 50,000	4	9
50,000 to 100,000	-	
100,000 to 200,000	1	
200,000 to 300,000	-	
300,000 to 400,000	1	2
TOTAL		31

1984 GROSS SALES EC$	NUMBER OF BUSINESSES	
less than 5,000	5	
5,000 to 10,000	7	
10,000 to 20,000	3	15
20,000 to 30,000	4	
30,000 to 50,000	5	9
50,000 to 100,000	4	
100,000 to 200,000	2	
200,000 to 300,000	2	8
TOTAL		32

3. Location

In many cases, smaller enterprises, (especially the budding businessess making food seasonings, pepper sauce, plantain chips, etc.) are located at the home of the owner, in an extension of the kitchen, or similar accomodation. In these cases, the enterprise is not rigidly separated from the family life, especially if both spouses work in it.

4. Equipment and automobile

In most cases, equipment is very limited, often antiquated. Small food makers often use large-sized home-kitchen equipment.

In very small businesses in which the role of transport is important, (to bring raw material and to distribute the product in rural outlets), the role of the family car is crucial. A serious breakdown of the car may amount to a grave crisis, if money is lacking to repair it.

5. Materials and production standards

In food processing businesses, local materials such as cassava, fruits, plantains, breadfruit, pepper, aromatic seeds and leaves are widely used. Flour is obtained from the local flour mill, a joint venture with a major Canadian company.

Other ingredients, such as vinegar, salt, oil are bought from local importers or retailers. All items of packaging (bottles, caps, etc.) are of foreign origin, including sometimes re-used jars. Labels are very amateurish.

Quality of the product is not uniform. Many standard practices, such as stabilization of sauces or emulsifying are not used because of the lack of appropriate equipment and material and of technical know-how.

In non-food manufacturing, most of materials are imported. Exceptions are some materials for crafts (straw, fiber, shells, corals) and some kinds of wood for furniture. (The use of local wood, said to be of high quality, merits a study of its environmental impact on the country's tree cover.) Quality of products vary. It seems satisfactory in furniture and footwear. The latter industry, however, seems to have only a very small share of the market which mostly buys imported footwear.

In general, the Vincentian small businessman, with few exceptions, depends for foreign materials on the local importer, pays high prices because of the small volume of his purchase, has little choice of local alternatives and little information on direct foreign sources of supply. (At any rate, with his small volume, he could not economically import by himself).

Two examples illustrate the situation:

- A small maker of jewelry and ornamental items had to give up making of enamel-on-metal objects because he could not find copper sheets of the required gauge.

- A well-made wooden patio chair had its appearance spoiled by the lack of screws of appropriate size.

6. Technical assistance

Technical assistance to small production businesses is still very limited, occasional and thinly spread in St. Vincent. Among the traditional small businesses there is still little awareness of the benefits that could result from expert advice on lay-out, production streaming, etc. However, some energetic and growth-oriented small manufacturers and craftsmen told us about their interest in learning about new designs in furniture and jewelry, new materials and similar improvements.

7. Transport of goods

All common carriers (buses, vans, trucks) in St. Vincent are privately owned. The system seems to be adequate for the present low-level volume of economic activity. However, the narrow, winding and occasionally very steep roads of this mountainous country may, in the future, require costly investments if the economic activities expand and the flow of traffic increases to the point of overtaxing the capacity of the roads.

8. Access of the small business to the market

- Local market. The consuming public seems to have a general prejudice in favor of imported goods. This is in part justified by their uniform quality, good packaging and impressive presentation. Wholesalers favor foreign products which they can obtain and merchanidize without much trouble and with high markups.

- Export market. With the exception of the traffickers of vegetables who, as a group, ship the second largest, (after bananas), group of exports, small business has very little information on, and capability of, direct access to foreign markets (especially extra-regional). The small size and inadequate training of an average small business person makes it prohibitvely costly for most of them to obtain correct information, establish contacts with and investigate the reliability of, foreign buyers, organize shipments and finance the usual long period of the collection of accounts receivable.

9. Credit

Unless she or he can provide a sufficient collateral, the small entrepreneur cannot obtain conventional bank credit for start-up or expansion of the business (new equipment, supply of materials, more space, etc.). The general complaint is that many promising ideas have been barred by this attitude of the banks.

The non-conventional development credit, offered without collateral by such institutions as the Community Devélopment Division (CDD) or the newly activated National Development Foundation (NDF), is still very scanty in relation to the needs.

Vincentians are said to be cautious in contracting debts and wary of engaging themselves to repay at a rate which might in the future surpass their capabilities. This prudence does not seem to apply to the credit received from govermental institutions.

The legal limit of the interest rate is 12 percent per year. Using various charges for service and similar devices makes it possible to charge in effect about 15 percent.

10. Management and record keeping

Most enterprises are so small (e.g. food processing) or so traditional (e.g furniture, shoe making, bakery) that, although they may have a growth motivation, the need for rational management practices as a tool for growth does not present itself directly to the consciousness of the owners. Most functions in the business are organized in an intuitive manner, without explicit thought whether the present order is most efficient.

Records and bookkeeping, except for the simplest delivery notebooks, or notebooks of credit extended to customers, are virtually nonexistent in all but a few relatively large operations.

In the face of their difficult environment and despite their very limited resources, many Vincentian small businesspersons show a strong motivation to expand their operations and to improve their product. A sympathetic observer cannot fail to be impressed by the drive and soundness of some individuals he is likely to meet.

IV. TRAINING NEEDS IN ST. VINCENT

The structure of training activities suggested for St. Vincent is directly related to two essential elements of the economic environment in which small businesses of this island have to survive and grow:

1. As argued elsewhere in this report, the "diseconomies of small scale" are so pervasive in this country that the only way in which small, undercapitalized businesses can achieve productivity and ability to compete is through cooperative associations (*);

2. The smallness of the local market being a barrier to the expansion of volume of production, the only alternative is the export-driven growth. This, in turn, entails a permanent interaction with foreign cultures, foreign standards, business procedures, etc.

We envision three levels of training: training of leaders, training of trainers and training of beneficiaries.

A. Training of leaders

This activity would take the form of informal, self-improvement discussions among leaderships of various organizations, with emphasis on issues of cross-cultural interaction, conflict resolution, organization-building, etc. Occasional visits of specialists, such as members of Jamaica's National Union of Cooperative Societies (NUCS) should be encouraged and funded by the program.

B. Training of Trainers

This activity would relate not so much to a particular trainer's field of expertise, (except a "refresher overview"), as to his general effectiveness and impact on his soon-to-be-met trainees. The following areas ought to be covered:

- Industry-specific (or discipline-specific) "refresher overview" with special emphasis on issues of special importance in the Vincentian environment.

- Basic principles of information transfer (vocal, written, by example, visual aids, etc.)

- Sources of reference: industry-specific, discipline-specific (manuals, catalogs, professional and trade associations, universities and research centers, referral services, etc.)

(*) The word "cooperative" is used here in its most generic sense, not linked to any specifc legal form.

- Introduction to electronic information and communication systems.

- Culture-specific patterns of action and motivation; inter-cultural interactions; conflict dynamics and conflict-resolution techniques; negotiation techniques, etc.

C. Training of Beneficiaries

These activities would be conducted along discipline-specific lines (management tools applicable to the needs of small Vincentian enterprises; accounting, cost-accounting and pricing; marketing; procurement; coordination of input and output flows; planning for cash-flow, etc.) and along industry-specific lines (standards and specifications, uniformity, quality control; product development and design; packaging, shipping, etc.)

Priority industries should be identified early in the small-business support program in order to leave ample time for preparation of really helpful training. At present, it appears almost certain that among benefitting industries will be these:

- Food procesing based on local fruits, vegetables, etc.

- Wooden furniture and other wood articles; possibly wrought iron furniture

- Garments, apparel

- Articles made of canvas (travel bags, etc.)

- Leather work, sandals, bags, belts, etc.

The training program should coordinate and collaborate with St. Vincent Technical College in Kingstown. At present this institution offers a limited number of courses, among others, in refrigeration and television repairs, but not in such basic subjects as metal-working, machining, etc.

As in many other countries, graduates of the College often leave St. Vincent in search of better paid jobs abroad.

V. INSTITUTIONS ACTIVE IN SMALL BUSINESS SUPPORT

A. Summary and Conclusions Regarding Surveyed Institutions

Two groups of institutions are active in the field in question:

- Private Sector and Public Institutions. The first group is composed of private-sector and public institutions, general in scope of their activities: National Development Foundation (NDF), Organization for Rural Development (ORD), Chamber of Industries and Commerce (CIC), all three in the private sector; Development Corporation (DEVCO), a state-owned corporation, and the Community Development Division of the Ministry of Housing, Local Government and Community Development (CDD). (*)

- Trade Associations. The second group comprises trade associations: St Vincent Traffickers' Association (association of small vegetable exporters) and St. Vincent and the Grenadines Furniture Manufacturers Association.

Of the first group, NDF and ORD are oriented and designed in a manner to become suitable vehicles of a small-business support program, with the Chamber in an advisory role. NDF is a newer organization, explicitly designed for small-business support. ORD has been active for nearly ten years. Through its impressive array of acitivities in the farming sector, it is in an unique position to facilitate the supply of farm produce to food processors and to harmonize the farming sector's operations with the needs of the small manufacturers of food products.

The second group of associations represents two major elements in the Vincentian economy, with linkages to farm and forestry production. They may become valuable vehicles under the guidance of NDF and ORD, for the execution of industry-specific operations.

B. Profiles of Institutions

1. NDF (National Development Foundation)

NDF, whose explicit function is to help small business, was created nearly two years ago, but became fully operational only in the second half of 1984. The objectives of NDF include a comprehensive system of management training, technical assistance and help in marketing of the products of small businesses, as well as credit.

(*) There is no small business association in St. Vincent.

The credit program consists in providing loans to small businesses which are now not serviced by existing financial institutions: banks (which insist on sufficient collateral and favor safe commercial ventures of larger size with fairly developed management and record-keeping); Development Corporation (DEVCO) which, being funded by the Caribbean Development Bank, also requires collateral; Community Development Division which, though it does not require collateral, has limited loan funds to disburse.

Beneficiaries of loans will be obligated to keep records, on the level appropriate for their business, and attend group training sessions.

Technical assistance and assistance in finding markets will be provided, on a voluntary basis, by experienced local businessmen, members of the NDF Board.

While the single-loan ceiling is EC$ 20,000, it is expected that the average loan size will be about EC$ 7,000. Accordingly, if the FY 1985 (Oct. 1, 1984-Sept. 30, 1985) budget becomes a reality (which seems now doubtful), the number of loans would be about 130. The 1985 budget is shown in Table 3 below.

As of mid-January 1985 it seems that prospects for external funding fall considerably short of the above objectives. This uncertainty of funding affects the effectiveness of NDF by preventing the hiring of permanent skilled personnel. At present, the Manager, Mr. Leacock, a highly trained and energetic person, is obliged to depend on voluntary work of his board members for such functions as reviews of loan requests, etc.

NDF's board and supporters include a large number of prominent local business figures (See Table 4). It is NDF's intention to draw on its supporters for voluntary technical and management assistance to its small-business clients. It remains to be seen how much of that voluntary technical assistance will be forthcoming and whether it will be sufficient to cover all important technical aspects.

NDF plans to charge a realistic, non-concessionary interest rate on its loans. This, to place the beneficiary from the very beginning in a real-life situation, as well as to assure the sustainability of the program and to conserve the loan fund.

For the moment, NDF's funding is still being negotiated with various donors. As of January 1985, a limited amount of about US$ 15,000 had been fully disbursed in seven loans.

Table 3. National Development Foundation (NDF)

Budget For FY 1985 (Oct.1, 1984-Sept.30, 1985)

Original Projections:

SOURCES

	US $
AID	115,000
InterAmer. Found.	63,000
PADF match. grant	12,000
Int'l Training Found.	25,000
CIDA	200,000
NDF members	8,000
TOTAL.....	423,000

USES

	US $
External T.A. & Training	-----
NDF Operating Cost	49,000
NDF Vehicles	15,000
Travel	9,000
Loan Fund	350,000
TOTAL.....	423,000

Table 4. NATIONAL DEVELOPMENT FOUNDATION
MEMBERS AND SUPPORTERS

(As of 1982)

Creighton Bacchus	British American Insurance
David Best	Canadian Imperial Bank of Commerce
Dick Bieneman	Peace Corps/ORD
Ken Boyea	East Caribbean Flour Mills, Ltd.
Vidal Browne	Young Island
Vance Buhler	Buhlers Yachts
Lyley Cato	SVG Christian Council
Everett Christian	Bank of Nova Scotia
Hilary DaSilva	D's Services
Mike DeFreitas	DeFreitas Co.
Marcus DeFreitas	Eastern Caribbean Agencies
Sheila Douyon	National Council of Women
Ken Gonsalves	Bottlers (St. Vin) Limited
Jethro Greene	Organisation for Rural Development
Ed Griffith	Nightingale Co.
Lennox Hunte	St.Vincent Craftsmen
Clarence Keizer	Geest Industries
Horace Lewis	Technical College
James Lockhart	St. Vincent Plastics
Claude Samuel	National Commercial Bank
Henry Williams	Barrister-at-Law

Executive Director: St. Claire Leacock
(as of October 1984)

2. ORD (Organization For Rural Development)

ORD has been in existence as a "private statutory body" since 1978 and by now is working with more than 900 farming families, (over 10% of the farming population), to increase agricultural production and to support development projects undertaken by village committees.

The most important current project is one of providing fertilizers, seeds and pesticides from storerooms located in rural centers. Thanks to the centralized buying, these materials are made available to farmers at relatively low cost, with only 25% advance payment and credit for the rest of the amount until the harvest time. ORD charges a realistic market rate of interest in order to avoid an artificial subsidy and to protect its own economic position.

Managed in an energetic and imaginative manner by Mr. Jethro Greene, a young person with agricultural background and practical business sense, he has succeeded in inspiring an impressive group of voluntary workers in various communities. ORD's method is to involve local communities in the management of the programs. Thus, for example, the above mentioned fertilizer and pesticide program relies on local committees for its detailed execution, while ORD's headquarters monitors and audits the progress.

To the extent of available resources, ORD provides technical assistance. The fertilizer program is accompanied by the assistance of a Peace Corps volunteer specialized in soil testing.

Another important program is that of marketing of cash crops for groups of farmers engaged in supply contracts. This program is of special importance to small-business food-processing enterprises because it can provide a key to the steady, coordinated supply at contract price of produce to processors. In this perspective, the role or ORD in the development of food processing businesses can be highly beneficial.

ORD's budget for the current year is about EC$ 275,000 (US$ 102,000). The loan fund stands now at about EC$ 150,000 (US$ 56,000).

The enclosed copy of ORD's Profile gives additional details of organization and programs. (See following pages 23 and 24)

3. Chamber of Industry and Commerce (formerly Chamber of Commerce

The Chamber of Industry and Commerce, recently reorganized to include manufacturing industries, is a member of CAIC. Although by nature and tradition linked with large businesses, the Chamber has recently adopted the objective of also attracting small businesses to its membership. It is too early to know if that objective will be realized and if it will become a starting point of meaningful activities.

Besides its traditional role of advocacy with the government, the Chamber has management training programs.

4. Development Corporation (DEVCO)

The Development Corporation was created as a government corporation and funded by CDB with the original task of constructing and managing industrial parks for foreign investors in garment, assembly, etc. plants. Gradually other functions, such as loans for small businesses (which were able to present collateral), agricultural loans and even student loans were added to DEVCO's activities. All these tasks overtaxed DEVCO's administrative capacity. Recently, the government apointed a committee to recommend a simplification of DEVCO's operations. It is probable that DEVCO's functions will be reduced to the management of industrial parks.

5. Community Development Division of the Ministry of Housing, Local Government and Community Development (CDD)

This government unit executes a small-business loan scheme funded by grants form the British Development Division, a U.K. government agency. A part of the administrative cost is funded by the Ministry's budget.

Skill improvement and techncial assistance are companion activities to the loans accorded under the scheme.

Beneficiaries are small enterprises which do not qualify for conventional bank credit, usually because of the lack of collateral. To qualify for a loan the enterprise must have no more than three employees and gross sales of no more than EC$ 20,000 per year.

The ceiling for a single loan is EC$ 5,000. Maximum term is five years. The interest rate is five percent.

Currently the average term of outstanding loans is two years and average amount is about EC$ 2,500.

Technical assistance concentrates on management practices, recordkeeping and marketing. T.A. personnel is drawn from other government agencies (such as DEVCO) or from private-sector volunteers. CDD organizes technical seminars, sometimes five-day long, for its beneficiaries. Participants from out of town are paid the cost of transport and a per-diem.

As of January 1985, there were 74 loans outstanding. Industries benefiting from loans included: poultry raising, tire repairs, refrigerator repairs, shoemaking, carpentry, furniture, garments, batik production, fishing (purchases of outboard motor) and farming (five loans).

There are problems with loan repayment which at present is only about 75 percent. This may be a reflection of the fact that field officers can work only a part of their time on loan-related matters, because they have also many other duties in community development programs.

There is no objective of self-sustainability in this program, which from the administrative and personnel viewpoints is difficult to be clearly separated from the Ministry under which it operates.

6. Furniture Manufacturers Association

This group comprises some 15 firms which constitute a majority of the industry. All of them are small and individually lack proper equipment to undertake export orders or sub-contracting for foreign buyers.

The association intends to purchase, as a group, some modern equipment and make it available in a coordinated manner to members who would establish their separate workshops in a communal building. In this manner, profitable business could be obtained from the U.S. or European contractors.

7. Traffickers' Association

This organization counts among its members 264 of St. Vincent's 350 traffickers, i.e. small traders engaged in shipping produce to Trinadad and Barbados. After bananas, this group's exports are the most important source of export earnings for St. Vincent. The organization is desirous to participate in programs which would aim at finding new markets. The knowledge and expertise of individual traffickers would be a substantial asset in export promotion plans for produce.

* * * *

The Project Development Assistance Program (PDAP) has in Kingstown an office headed by Mr. Stuart McIntosh. A visit with Mr. McIntosh gave a favorable impression of his familiarity with the local scene and his positive attitude to prospective programs of support for the small businesses.

While the average small business in St. Vincent clearly does not qualify for projects of the type which PDAP is promoting, some small-business projects (e.g. the project of the Furniture Makers Association, mentioned in the present report as one of business opportunities), might be in the PDAP's range.

VI. SOME EXPORT BUSINESS OPPORTUNITIES IN ST. VINCENT & THE GRENADINES - A CONCEPT OUTLINE

As explained on the preceding pages, small business in the Eastern Caribbean (and probably even more so in St. Vincent itself) suffers from so many disadvantages and constraints, that it is unrealistic for a single small enterprise to think of independent export-production and marketing. At present the only manner of realizing such ambitions is through cooperative association which could obtain technical, marketing and management assistance under a regionally proposed program. Three such possibilities, two of them involving local agricultural produce, came to our attention during our survey of St. Vincent.

A. Production of "Knocked-Down" Wooden Furniture for U.S. Furniture Firms

The recently formed St. Vincent Furniture Manufacturers Association was approached on the above subject by a U.S. firm. Such production, however, requires the use of automatic lathes and other ancillary equipment the cost of which surpasses the financial capacity of any single furniture maker in St. Vincent. Also, the management aspect of the operation would probably be too difficult for most of local businessess, although on the local level this is one of the important small business branches.

The Chairman-founder of the Association, Mr. Kenneth R. Adams, a man of impressive business accumen, himself engaged in many businesses, among them wrought-iron furniture, proposes the following project:

> The Association erects a light-weight industrial-shell type building in which space will be alloted to individual workshops of members. Appropriate equipment of lathe(s), etc. is purchased as common property and placed in a suitable part of the building. Individual members can use the equipment in a coordinated order against payment for time, energy, etc.
>
> The Association enters into supply contracts with foreign (U.S.) buyer(s) and work is distributed among members, In slack time, members can "buy" the machinery time for their own local-market production.

B. Production of Fruit Juices, Preserves and Pulps for Export

A local food technologist, former manager of an R & D food lab of the government, has received enquiries from U.S. bakers and ice cream makers regarding pulps of guava, mango, golden apple, etc. European buyers are interested in sorrel (roselle) drinks. She believes that other products such as jellies, pepper sauce, seasonings. etc. could be exported.

The technologist has land, building, water supply and a stand-by generator, all these items worth, according to her, US$ 300,000. Equipment for a processing plant would cost US$ 75,000. The industry would employ some 12 persons in processing.

A regular supply of raw materials (i.e. various fruits, seeds, etc.) could be coordinated by ORD (Organization for Rural Development), St. Vincent's major PVO funded, among others, by AID. It is ORD's plan to engage in such arrangments on behalf of its farmer members. ORD also hopes to achieve self-sufficiency through charges for coordinating services.

C. Survey of Export Potential for Vincentian Produce in the ABC Islands

About 350 small individual exporters in St. Vincent ship weekly produce to Trinadad and (in lesser volume) Barbados. This trade is, after bananas, the largest foreign exchange earner for St. Vincent.

The traffickers are organized in an association which promotes interests of its members in relations with the government. Recently, the trade has suffered from a glut of supplies in the principal market, Trinadad. The Association would like to investigate the markets of the "ABC Islands" (Aruba, Bonaire and Curacao), however, it lacks funds, appropriate information and contacts. These islands have a combined population of 250,000. Their climate is arid and they could constitute interesting customers for Vincentian agriculture.

The project would consist in gathering information, establishing contacts and funding a mission of traffickers. A positive result could mean some 10% to 25% increase in Vincentian produce exports and additional earnings for Vincentian boats used for transport.

ANNEX 1

ST. VINCENT AND THE GRENADINES
USEFUL CONTACTS (Area Code 809, Prefix 45-)
(e.g. 809-45-71-464)

INSTITUTIONAL

(All in Kingstown or vicinity)

Chamber of Industries and Commerce
Mr. Richard Gunn, President 71-464 and 71-746
Mrs. Cecile Richards, General Manager

Community Development Division of the
Ministry of Housing and Local Government (CDD)
Mr. Bernard Morgan, Administrator for
Small Business Development

Development Corporation (DEVCO)
Ms. Celita L. Davy, Secretary to the
Corporation and Acting Manager 71-358, 71-514
Mr. Conrad Griffith, Industrial Dev. Specialist 71-890
(Seconded by CDB)

Ministry of Trade, Industry and Agriculture
Permanent Secretary
Mr. Williams 61-106

National Development Foundation (NDF) Office 61-570
Mr. St. Claire Leacock
Executive Director home 71-649
Blue Caribbean Building, P.O. Box 437
Kingstown

Organization for Rural Development (ORD) Office 71-298
Mr. Jethro Greene, Chairman home 71-251
P.O. Box 827
Kingstown, St. Vincent

Project Development Assistance Program (PDAP)
(Coopers and Lybrand)
Mr. Stuart McIntosh, PDAP Advisor 71-538 and 71-568

St. Vincent Marketing Corporation
Mr. Gilbert Telemaque 71-603

St. Vincent Furniture Manufacturers Association
Mr. Kenneth R. Adams, Deputy Chairman 84-656

Traffickers' Small Business Association
Mr. Conrad Forbes, Chairman 71-231 (Mr. Forbes home)
Ms. Aletha Westfield, Secretary

Business and General

Kenneth R. Adams
Adams Brothers Engineering, Ltd. office 84-656
Arnos Vale (next to the airport) 84-728 (home)

O.A. Ken Boyea, Manager
Maple Leaf Flour Mill 71-918
(Board member of NDF)
Campden Park Industrial Park

Douglas DeFreitas, Managing Dir.
Eastern Caribbean Agencies
Exporters of Tropical Produce office: 61-006 & 61-800
and importers of manufactured goods home: 71-065

A.A.R. Gunn
Caribbean Computer Corporation 61-250

Ms. Mary Hutchinson
Senator from the Grenadines
Ashton Union Island home: 88-246

Ms. Erica McIntosh home: 84-234
Food technologist, work: Prospect Racquet Club: 84-866
former director of Agrolab

Claude C. Samuel
Manager, National Commercial Bank 71-844

St. Vincent Crafts (Crafstmen's Cooperative)
President: Mr. Ardon Bramble (jeweller)
Manager: Mr. Leroy Hunt
P.O. Box 615 71-288
Kingstown

ANNEX 2

ASSISTANCE ACTIVITIES OF SOME FOREIGN NON-US ENTITIES

A. Bilateral Programs

CANADA -

- o CIDA operates mainly in coordination with St. Vincent Ministry of Planning. CIDA's projects include the expansion of Kingstown harbor and the proposed grant to National Development Foundation (NDF).
- o CANSAVE, a PVO equivalent to Save the Children: nutrition and income-generating projects for women.
- o Canadian Crossroads, volunteers in teaching, fisheries and agriculture.

CHINA, Republic of (Taiwan)

- o T.A. project in vegetables, rice, swine breeding and aquaculture

FRANCE -

- o French Government's technical assistance personnel; two agronomists and specialist in health and education

GERMANY -

- o Technical assistance. Local representative: Mrs. Balcom, Indian Bay

NETHERLANDS -

- o Technical assistance, Mr. Jerry Palmer

UNITED KINGDOM -

- o British aid program, administered by Mr. Syratt, British High Commission: $5,000,000 grant for, among others:
  - a large school building in 1984
  - agricultural inputs, technical assistance and computer for the Banana Growers' Association
  - Airport improvements
  - Mango, authurium and pineapple project
  - Small-business loan scheme executed by the Community Development Division of the Ministry of Housing, Local Government and Community Development

- The West India Committee, a British private-sector organization, provides export advice, helps locating markets for goods from St. Vincent (and other East Caribbean Islands)

B. International Organization Programs

CARIBBEAN CONSERVATION ASSOCIATION

- Studies in natural resources management

CARIBBEAN DEVELOPMENT BANK (CDB)

- Credit for industrial estates constructed by DEVCO
- Credit for DEVCO's small business loan fund
- Credit for student loans, etc.

EUROPEAN ECONOMIC COMMUNITY, EUROPEAN DEVELOPMENT FUND

- Upgrading of Kingstown General Hospital

ORGANIZATION OF AMERICAN STATES (OAS)

- Several programs administered by Mr. Todd Payne, among them:
  - Agricultural programs (arrowroot starch; natural resource and watershed management)
  - Education and technology development programs
  - In discussion: a major program in natural resource management for agricultural development

U.N.

- Birth control program, in cooperation with St. Vincent Planned Parenthood Association

UNESCO

- Craft development program

Eastern Caribbean
Small Scale Enterprise Survey

CODE:
1. Agribusiness _____
2. Light Manufacturing _____
3. Services _____

DATE: _____

ENUMERATOR: _____

CITY: _____ COUNTRY: / /Antigua; / /Barbados; / /Grenada;/ /Montserrat

DISTRICT: _____ / /St. Kitts; / /St. Vincent; / /St. Lucia; / /Dominica

A. Background Information

1. Name of Business: _____ Primary ___% Secondary ___% _____

2a. Name of Owner: _____ (b) Name of Manager: _____

3a. Address: _____ (b) Telephone: _____

4. Type of Business: Describe:

5. Sex Male Female

(a) Owner _____ _____
(b) Respondent _____ _____

6. Experience in current business: _____ years.

7. Number of employees: __ (a) Part time (b) Full time __ (c) Seasonal __

8. Educational level no. of years (a) (b)

B. Operational Profile

9. What was your gross sales for: (In local currency)

1984 _____ 1983 _____ 1982 _____

10. What was the high month (a) _____ low month (b) _____ (c) year _____

11. How did your business start? _____

12. How much money did you use to start your business? _____

Source: _____

13. What is the current value of equip & inventory? (local currency)

(a) Equipment $_____ (b) Materials $_____ (c) Inventory $_____

14. Type of records kept: (a) Checkbook separate for business _____
(b) Single entry _____
(c) Double entry _____
(d) Other _____

C. Marketing

15. Do you have a marketing plan for your product/service/good?

(a) Yes _____ (b) No _____

16. Is your principal market

(a) On the island _____ (b) E. Caribbean _____ (c) Other _____

17. Who buys your product/goods/service?

(a) Individuals _____ (b) Small manufacturers _____
(c) Small wholesalers _____ (d) Exporters _____
(e) National Government _____ (f) Institutions _____

18. Would you like to expand your market? Yes _____ No _____

19. What has prevented you from doing so? _____

20. What is being produced off the island that you could provide?

_____

21. Have you tried to produce it? Yes ____ No ____

22. If not, why? _____

23. What manufacturing or processed item is included in your production process?

24. Where do you obtain this item?

(a) Continental U.S.
(b) On Island
(c) Eastern Caribbean
(d) Other

25. Do you subcontract any of your production operations?

(a) Yes _____ (b) No _____ (c) If yes, Where? _____

D. Technical Assistance/Credit

26. What are your business problems? _____

27. From whom do you get business advice?

CODE BOOK FOR EASTERN CARIBBEAN
SMALL SCALE ENTERPRISE SURVEY

QUESTION	FIELD	RESPONSE CODE	COMMENTS
No question	NUMB	A1-A44, B1-B21, D1-D20, G1-G39, M1-M17, K1-K37, L1-L38, V1-V34	Represents numbering of questionaires for our own reference. Letter indicates country
No question; coded by enumerator.	BUS_CATEG	AG=Agriculture LM=Light Manufacturing SV=Service	
4. Type of business: Describe:	BUS_TYPE	See Chart #2 for codes	64 different specific types of business.
5. Sex: Male Female (a) Owner (b) Respondent	GENDER	0 = No Response M = Male F = Female B = Both	Part (a) only was included in entry, (b) was discarded. Are some cases where owner = M yet wife started business and works full time and business may be in her name.
6. Experience in current business: _____ years.	BUS_YRS	0 = No Response Numeric value for years format = _ _._	Only included years operating current business. Some respondents listed number of years as employee of same or similar business and/or job training.
7. Number of Employees (a) Part time (b) Full time (c)Seasonal	PT_EMPLOYS FT_EMPLOYS	Numeric value for number of employees Numeric value for number of employees 0 = No employees or no response	Fractions were rounded, values for (a) and (c) were added and listed as part-time. 0 (zero) indicates both no employees and no response. Wife is not double-counted; if both listed as owners, wife/husband not listed as employee.
No question	COUNTRY	AN = Antigua BA = Barbados DO = Dominica GR = Grenada MO = Montserrat SK = St. Kitts SL = Lt. Lucia LV = St. Vincent	
8. Educational level no. of years (a) (b)	ED_LEVEL VOC_ED	0 = zero schooling and no response Numeric value ED_LEVEL and VOC_ED	VOC_ED applies to specific training/skill development course outside of formal schooling. It was not specified on questionaire what (a) and (b) stand for. Certain enumerators listed VOC_ED responses under (b). Where "primary" was listed under ED_LEVEL, number of years was assumed to be 10.
9. What was your gross sales for: (In local currency) 1984 ___ 1983 ___ 1982 ___	SALES_84 SALES_83 SALES_82	0 = No response Numeric value for each field.	Values listed in EC$. If only profit listed, was treated as no response.

QUESTION	FIELD	RESPONSE CODE	COMMENTS
10. What was the high month (a), low month (b), year (c).	Not coded.		
11. How did your business start?	START_CODE	1 = "inherited" business 2 = started on own initiative 3 = specific training (job/voc ed) 4 = organized by others (e.g. PfP, co-op, NDF) 0 = No response	
12. How much money did you use to start your business? Source:_____	START_AMT SOURCE_CODE	Numeric value 0 = No response/no investment 1 = personal savings/family 2 = loan from bank 3 = loan/grant from friends, others 4 = loan/grant from AID supported institution 5 = loan/grant from government 6 = 1 and 3 7 = 1 and 5 8 = 1 and 2 0 = No response	
13. What is the current value of fixed assets? (EC$) _____	ASSETS	Numeric value	
14. Type of records kept: a) separate checkbook b) single entry c) double entry d) other	RECORD	A = separate checkbook B = single entry C = double entry D = other E = A and B F = A and C G = B and C H = Informal notes, bill book	H signifies some type of informal, rough bookkeeping system.
15. Do you have a marketing plan for your product/service/good?	MRKTG_PLAN	Y = Yes N = No 0 = NR	
16. Is your principal market: a) on island b) E. Caribbean c) other	PRINC_MKT	A = on island B = E. Caribbean C = other D = A and B E = All F = A and C	

28. Has this advise been helpful? (a) Yes _____ (b) No _____
    If not, why? _____

29. What are your assistance needs?

30. Have you tried to obtain credit? Yes ____ No ____
    If yes, where? _____
    Why did you go this source? _____

31. What are your hopes for your business?

32. What do you think would help to make this happen?

INSTITUTIONAL SURVEY QUESTIONNAIRE

NOTE: THE QUESTIONNAIRE CONCERNS ONLY INSTITUTIONS ENGAGED IN THE SUPPORT OF SMALL BUSINESS

I. NAME OF THE INSTITUTION ADDRESS, TELEPHONE, TELEX, CABINET NO. CONTACT PERSON ....., his/her position

II. TYPE OF THE INSTITUTION

A. 1. INTERNATIONAL ---------- HEADQUARTERS
2. REGIONAL ---------- HEADQUARTERS
3. LOCAL

B. 1. PVO
2. GOV'T
3. RELIGIOUS
4. PRIVATE SECTOR ORG or FIRM INVOLVED IN T.A.

III. MANDATE AND OBJECTIVES

1. Marketing
2. Skill Improvement
3. T.A. a) technology
b) management
4. Credit
5. Other Assistance
6. Orientation

IV. PROGRAMMATIC ACTIVITIES IN THE FIELD OF SMALL BUSINESS DEVELOPMENT

a) description of Program and beneficiaries
b) how do they secure participation of beneficiaries and what is the level of participation (e.g. number of voluntaries, contribution from the local community, etc.)
c) examples of current successful project, no. of Beneficiaries serviced per year
(Names and addresses of beneficiaries)

V. PLANS FOR THE FUTURE

1. Director for new Programmatic activities
2. What are the new business opportunities that should receive assistance?

VI. SOURCES AND AMOUNTS OF FUNDING

1. Grants
2. Loans
3. Charges for Services Rendered to Beneficiaries
4. Total Expanse Budget of the Program
5. What percentages of your total Program are covered by the above sources of funding?
6. What is your plan for self-sustainability?

VII. WHAT MEANS DO THEY HAVE TO PROVIDE SERVICES?
HOW EFFECTIVE ARE THESE SERVICES?

1. Methodology for Cost Effectiveness
2. Skilled Personnel
3. Financial Resources
4. a) Total Budget per Year of Program for Small Business Development
   b) Administrative Cost
   c) $\frac{\text{ADMIN. COST}}{\text{TOTAL COST}}$ = ...%
5. How Many Employees are Delivering Your Services
6. How Many Beneficiaries are Obtaining the Services
   a) Cost per Beneficiary
   b) What do you think have been the Perceived Benefits of the Program?
      - Jobs Creation
      - Increasing the Level of Income - other -
7. Are there other institutions working in this same area? Do you have a cooperative relationship with them?

VIII. PROBLEMS AND CONSTRAINTS

1. Lack of Credit Funds for Sub-Loans
   a) Value of Curren Loan Disbursed
   b) Total loan commitments
   c) What portfolio could you handle
2. Problems of Loan Collection
3. Lack of T.A. Expertise
4. Special Problems in Agribusiness

IX. 1. Do you belong to any regional or international organization in the field of small business development?
2. Do you have enough specialized information, advice, or management ability, for your institutions?

X. OTHER COMMENTS, PROBLEMS OR SUGGESTIONS REGARDING SBE SECTOR YOU WOULD LIKE TO ADD

XI. WHAT ADDITIONAL PROGRAMS WOULD YOU LIKE TO OFFER?

QUESTION.	FIELD	RESPONSE CODE	COMMENTS
17. Who buys your product/ goods/service? a) individuals b) small manufacturers c) small wholesalers d) exporters e) National Gov't f) institutions	CUSTOMERS	A = item is resold B = item is reprocessed C = item is directly consumed D = item is exported E = A and C F = A and D G = C and D H = A, B, and C 0 = No Response	
18. Would you like to expand your market?	EXPAND	Y = Yes N = No 0 = No Resp.	
19. What has prevented you from doing so? (expanding)	PREV_CODE PREV_CODE2	Two fields to code 2 responses in descending order of importance (See Appendix 2)	
20. What is being produced off the island that you could provide?	IMPORT_CAP	Y = Yes N = No 0 = No Response	Question was coded as a yes/no response to indicate if respondent felt he/she had the capability to produce import substitutions
21. Have you tried to produce it?	TRIED_PROD	Y = Yes N = No 0 = No response or non-applicable	
22. If not, (tried to produce import substitute) why?	WHY_NOT	Same codes as #19. See Appendix 2.	
23. What manufacturing or processed item is included in your production?	ITEM_PROD	15 space field for listed items.	There is evidence of some confusion as to whether this relates to questions 20-22 (i.e. processed materials for import substitute item) or present product. In all cases, we attempted to list something, even if the response was left blank, by inference or previous listing of items used/made.
24. Where do you obtain this item? a) continental US b) on island c) E. Caribbean d) other	WHERE_GET	A = continental U.S. B = on island C = E. Caribbean D = other E = A and B F = A and C G = B and C H = A and D I = B and D J = C and D K = All four 0 = no response	It is not clear whether the intention of this question is a) where do raw materials come from (imports or domestic) b) did you import product yourself? Overwhelmingly, response was B, indicating interpretation (b).
25. Do you subcontract any of your production operations?	SUBCONTR	Y = Yes N = NO 0 = No response	

QUESTION	FIELD	RESPONSE CODE	COMMENT
26. What are your business problems?	PROBLEMS2 PROBLEMS3 PROBLEMS	See Appendix 2. Same codes for question #19.	
27. From whom do you get business advice?	WHO_ADVISE	0 = no one/no response 2 = experienced others 3 = NDBs,NDFs, government 4 = family/friends 5 - customers 6 = AID inst./PVOs 7 = books, courses	"Experienced others" includes individuals outside or within the business with some aspect of business experience.
28. Has this advice been helpful? If not, why not?	HELPFUL	Y = Yes N = NO 0 = no response	Second part of question not coded.
29. What are your assistance needs?	ASSIST_NEED ASSIS_NEED2 ASSIS_NEED3	See Appendix 2. Same as for question #19.	
30. Have you tried to obtain credit? If so, where? Why there?	TRIED_CRED WHERE_AT NAME	Y = Yes N = No 0 = no response 1 = comm. bank 2 = wholesaler 3 = NDFs, NDBs, government 4 = AID inst./PVOs 5 = 1 and 3 6 = 1 and 4 7 = friends/family 8 = 1 and 7 15 character field for name of institution	Appears as if only affirmative answers were coded indicating that respondent either received a loan or not; does not indicate if he tried to obtain credit and was turned down.
31. What are your hopes for the business?	HOPES HOPES2	1 = expand 2 = new equipment 3 = improve service/quality of product 4 = improve business 5 = make money 6 = increase empl. 7 = diversify 8 = stay the same 9 = export 10 = obtain credit 11 = steady demand	Qualitative answers (i.e. good, bad) coded as (8).
32. What do you think would help make this happen?	HOW_HAPPEN HH_CODE HH_CODE2	15 space field for specific answers. See Appendix 2. Same as for question #19.	

APPENDIX 2 - CODES FOR QUESTIONS #19, 22, 26, 29, 32

0 = No Response
1 = Mgt TA/marketing/advertising
2 = machinery/tools/supplies
4 = finance
5 = demand/new or expanded markets
6 = labor (supply/reliability)
7 = electricity
8 = other infrastructure (weather/water/telephone/sanitation)
9 = over supply/imports
10 = space/location
11 = government regulations (taxes/licensing)
12 = imports
13 = recognition/discrimination
14 = cooperation/collaboration
15 = expansion
16 = better to keep at present level
17 = transport
18 = nothing - all fine
19 = technical TA
20 = other
21 = improve quality product/service

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ACTION AID-00

ACTION OFFICE STRD-01
INFO LADP-00 LACM-01 FM-00 CHOT-00 DIR-00 PPM-01 IAIS-01
MCLD-01 [illegible] MAST-00 LACA-00 PPP-00 /026 A1 [illegible]

INFO OCT-00 EUR-01 CIAE-00 EB 00 [illegible]
/012 W

[illegible]
O 181227Z DEC 71
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC [illegible]

STRD

ADVANCE ACTION COPY

UNCLAS BRIDGETOWN 0027

AIDAC

PASS TO: STRATPLAN, [illegible]

E.O. 11356: N/A
TAGS: HONE
SUBJECT: ROVC SMALL ENTERPRISE DEVELOPMENT

REF: (A) BRIDGETOWN 0045, (B) PPP TO ROVC TELCA 11/29/71, (C) BRIDGETOWN 0030

1. ROVC REQUESTS THAT STRATPLAN PREPARE A PROJECT SIMULTANEOUSLY SO THAT SCOPE MAY NEGOTIATE A CONTRACT WITH PARTNERS FOR PRODUCTIVITY TO PREPARE A SMALL ENTERPRISE SECTOR ASSESSMENT FOR THE EASTERN CARIBBEAN. PLEASE NOTE TWO FUNDING SOURCES, (A) AND (B). THE INFORMATION REQUIRED FOR THE PROJECT FOLLOWS, LISTED BLOCK BY BLOCK.

2. ROVC.

3. 531-0089 [illegible]

4. ORIGINAL.

5. EIN 0089, PROJECT DEVELOPMENT AND SUPPORT.

6. (A) 72-[illegible], (B) 72-[illegible].

7. (A) [illegible], (B) [illegible].

8. UNCLASSIFIED

9. MARCH 31, 1975.

10. AID/W.

11. A. 1 DOLLR, TA, DEL:147,000, 2B. DOLS93,000, 3. DOLS0, 4A. DOL351,000, 4B. DOL351,000.

12. BRIDGETOWN 0010, BRIDGETOWN 0030, AND NUMBER OF THIS CABLE.

13A. AID/W IS AUTHORIZED TO NEGOTIATE A CONTRACT WITH PARTNERS FOR PRODUCTIVITY. ROVC HAS COMMUNICATED BY PHONE AND/OR TELCA WITH STRATPLAN AND PPP CONCERNING THE SCOPE OF WORK AND THE BUDGET CONTAINED HEREIN. THE WORK IS TO BEGIN BY JANUARY 2, 1975. THE FIRST DOLS 93,000 IS TO BE PAID OUT OF FUNDING SOURCE A, THE REMAINING DOLS351,000 IS TO BE FUNDED FROM SOURCE B.

14B. CONTROLLER, ROVC, BOX 8, FPO MIAMI, FL 34054, ATTN

15-17. NONE ELSEWHERE.

18. TERMS OF REFERENCE.

1. BACKGROUND

A. THE OAS REGIONAL DEVELOPMENT OFFICE FOR THE CARIBBEAN (ROVC) WAS DEVELOPED A SUBSTANTIAL PRIVATE SECTOR ASSISTANCE PROJECT PORTFOLIO, THROUGH WHICH AN ARRAY OF SERVICES IS PROVIDED.

NONE OF THE ROVC FINANCED PROGRAMMING IS SPECIFICALLY DESIGNED TO ASSIST SMALLER ENTERPRISES, AND IS SENSITIVE TO THEIR UNIQUE NEEDS AND CIRCUMSTANCES. MOST PROJECTS, HOWEVER, ARE DIRECTED TOWARD THE PRIVATE SECTOR IN GENERAL. SMALL BUSINESSES, PARTICULARLY THOSE WHICH ARE NOT CONSIDERED BY TRADITIONAL STANDARDS AND/OR DO NOT OPERATE WITH FORMAL MANAGEMENT SYSTEMS, ARE NOT EFFECTIVELY RECEIVING THE ASSISTANCE OFFERED BY THESE PROGRAMS.

II. OBJECTIVE

A. THE PURPOSE OF WORK TO BE PERFORMED BY THE CONTRACTOR IS TO PROVIDE ROVC WITH A CURRENT AND COMPREHENSIVE INVENTORY OF: (1) SMALLER PRODUCTIVE ENTERPRISES IN THE REGION; (2) AREAS OF OPPORTUNITY FOR NEW SMALL ENTERPRISES; (3) THE CONSTRAINTS WHICH AFFECT THE SUCCESS OF THESE SMALL ENTERPRISES; (4) CURRENT REGIONAL AND NATIONAL FINANCIAL RESOURCES; (5) TECHNICAL AND TRAINING ASSISTANCE EFFORTS (GOVERNMENT AND NON-GOVERNMENT, U.S.A.I.D. AND/OR OTHER DONOR, PVO AND PRIVATE SECTOR ORGANIZATIONS) DIRECTED TOWARDS SMALL ENTERPRISES; AND GOVERNMENTAL POLICIES AND PROGRAMS WHICH AFFECT SMALL ENTERPRISES. AN OBJECTIVE EVALUATION AND ANALYSIS OF EACH OF THE PRECEDING ITEMS WILL BE PREPARED.

B. BASED UPON THE INFORMATION PROVIDED IN (A) ABOVE, THE CONTRACTOR WILL PREPARE A PRELIMINARY ANALYSIS WHICH WILL INCLUDE A DESIGN FOR IMPROVING THE DELIVERY OF SERVICES TO SMALL ENTERPRISES AND SUGGEST SPECIFIC ACTIVITIES. THIS DESIGN WILL INCLUDE NOT ONLY NEW CONCEPTS BUT ALSO RECOMMENDATIONS RELATED TO UTILIZE SERVICES PROVIDED BY EXISTING REGIONAL AND NATIONAL ORGANIZATIONS.

C. ROVC WILL UTILIZE THE CONTRACTOR'S FINAL STUDY TO PREPARE A PROJECT IDENTIFICATION DOCUMENT (PID) FOR A NEW PROJECT.

III. SCOPE OF WORK

A. THE CONTRACTOR WILL SURVEY EXISTING INFORMATION, AND DEVELOP NEW AND UPDATED INFORMATION AS NECESSARY TO PROVIDE ROVC WITH A CLEAR AND COMPREHENSIVE UNDERSTANDING OF SMALLER PRODUCTIVE ENTERPRISES IN THE REGION AND THEIR CIRCUMSTANCES. THE INFORMATION WILL INCLUDE AT LEAST THE FOLLOWING:

1. A WORKING DEFINITION OF SMALL ENTERPRISES IN THE EASTERN CARIBBEAN CONTEXT. THE DEFINITION SHOULD BE BASED ON THE CONSTRAINTS SMALL BUSINESSES FACE, INCLUDING TRAINING AND OTHER INPUTS THEY NEED TO BE SUCCESSFUL. INFORMALLY AND FORMALLY STRUCTURED BUSINESS SHOULD BE INCLUDED. ALL TYPES OF SMALL BUSINESSES IN AGRICULTURAL PROCESSING AND SERVICES, LIGHT MANUFACTURING AND SERVICES SHOULD BE INCLUDED AS SHOULD ALL COMMERCIAL ACTIVITIES INCLUDING PRIMARY PRODUCTION, ASSEMBLY, TRANSPORTATION, STORAGE, PROCESSING, DISTRIBUTION, WHOLESALING, RETAILING, ADVERTISING, ETC.

2. AN INVENTORY OF EXISTING AND POTENTIAL SMALL ENTERPRISES ON EACH ISLAND. THE INVENTORY SHOULD BE AS COMPLETE AS POSSIBLE GIVEN TARGET TIME CONSTRAINTS. THE

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INVENTORY OF EXISTING SMALL ENTERPRISES SHOULD INCLUDE PRODUCTS AND/OR SERVICES, NUMBER OF EMPLOYEES, GROSS SALES, CAPITAL BASE, EXISTING CONTRACTS, SOURCES OF FINANCING, SOURCES OF T.A., AND A STATEMENT OF ASSISTANCE NEEDS. TO THE EXTENT THAT THE INVENTORY CANNOT BE COMPLETED IT SHOULD PROVIDE A BROAD RANGE OF TYPICAL ENTERPRISES REPRESENTING ALL SECTORS, DEGREES OF FORMALITY, VARIOUS TYPES OF MARKETS AND CONSTRAINTS. BACKWARDS AND FORWARD LINKAGES FAVORING POTENTIAL SMALL ENTERPRISES SHOULD BE EXPLORED, AND RECOMMENDATIONS MADE FOR THE TYPES OF ASSISTANCE REQUIRED TO FOSTER NEW ENTERPRISES.

3. AN INVENTORY OF EXISTING AND POTENTIAL SUBCONTRACTING ARRANGEMENTS WITH LARGER FIRMS AND GOVERNMENTS. SUBCONTRACTING CAN REDUCE COSTS OF INTERMEDIATE GOODS AND OF SERVICES. THE INVENTORY WILL IDENTIFY SPECIFIC POSSIBILITIES.

4. AN INVENTORY OF CURRENT SMALLER ENTERPRISE ASSISTANCE EFFORTS INCLUDING GOVERNMENT AND NON-GOVERNMENT ASSISTED EFFORTS, AND/OR OTHER DONOR FINANCED EFFORTS, THOSE WHICH ARE REGIONAL AND LOCAL IN SCOPE, AND BY OTHER CHARACTERISTICS AS APPROPRIATE.

5. AN INVENTORY OF THE POLICIES AND PROGRAMS OF THE VARIOUS GOVERNMENTS, OFFICIAL REGIONAL BODIES, AND REGIONAL AND NATIONAL LEVEL AND PRIVATE SECTOR ORGANIZATIONS, AND OF THEIR EFFECT ON THE DEVELOPMENT AND OPERATION OF SMALLER ENTERPRISES.

B. THE CONTRACTOR WILL PROVIDE SEVERAL ANALYSES BASED ON THESE INVENTORIES AND OTHER INFORMATION.

1. AN EVALUATION OF THE EXISTING SMALL ENTERPRISES IN TERMS OF ROLES IN THEIR ECONOMIES, CAPABILITIES, NEEDS AND POTENTIALS.

2. AN EVALUATION OF AREAS OF OPPORTUNITIES FOR NEW SMALL ENTERPRISES, E.G. ASPECTS OF THE INDUSTRIES WHICH HAVE YET TO BE DEVELOPED.

3. AN ANALYSIS OF THE EFFECTIVENESS OF CURRENT SMALL ENTERPRISE ASSISTANCE PROGRAMS.

4. A RECOMMENDATION OF CHANGES NECESSARY IN CURRENT POLICIES AND PROGRAMS.

5. A PRESENTATION AND COMPARISON OF ALTERNATIVE APPROACHES TO PROVIDING ASSISTANCE TO SMALL ENTERPRISES.

C. THE CONTRACTOR WILL PREPARE RECOMMENDATIONS FOR AN ROVC SMALL ENTERPRISE ASSISTANCE STRATEGY AND FOR PROGRAMMING A.I.D. RESOURCES.

1. A RECOMMENDED STRATEGY. THIS SHOULD BE AS COMPREHENSIVE AS POSSIBLE. IT WILL INCLUDE CLEARLY STATED OBJECTIVES. IT WILL INCLUDE POLICY CHANGES REQUIRED, INSTITUTIONAL CAPACITY REQUIRED, AND FINANCIAL RESOURCES REQUIRED. IT WILL BE TAILORED TO THE UNIQUE CHARACTERISTICS OF THE EASTERN CARIBBEAN.

2. RECOMMENDED PROGRAMS WILL INCLUDE SPECIFIC TECHNIQUES FOR COORDINATION WITH OTHER DONORS AND ON-GOING PROGRAMS. THEY WILL BE PRESENTED AT A PRE-FEASIBILITY LEVEL OF DETAIL WHICH WILL BE ADEQUATE FOR AN A.I.D. PROJECT IDENTIFICATION STATEMENT (PID).

IV. REPORTS

THE CONTRACTOR WILL PREPARE A PRELIMINARY DRAFT REPORT IN RESPONSE TO THE SCOPE OF WORK. IT WILL BE SUBMITTED TO THE ROVC OFFICE NO LATER THAN JANUARY 31, 1975. THE DRAFT DIRECTOR OF AID DEPARTMENT WILL REVIEW IT AND REPORT TO THE CONTRACTOR IN THE REPORT REVIEWED IS WITH RECOMMENDATIONS FOR MODIFICATION OR APPROVAL. AT IT, THE CONTRACTOR WILL PREPARE A FINAL REPORT FROM THE CONTRACTOR'S OFFICE IN WASHINGTON, D.C. AND WITH ROVC APPROVAL, PRINT 50 COPIES FOR DISSEMINATION BY ROVC NO LATER THAN FEBRUARY 15, 1975, IN TIME FOR ROVC CONTRACTOR I DEBRIEFING.

V. REPORTING REQUIREMENTS

A. THE CONTRACTOR'S TEAM LEADER WILL WORK IN CLOSE COORDINATION WITH ROVC UNDER THE DIRECT TECHNICAL GUIDANCE OF THE DEPUTY DIRECTOR IN HIS RESIDENCE.

B. DOCUMENTS RESULTING FROM THE PERFORMANCE OF THE SUBMITTED IN DRAFT FORM FOR REVIEW AND APPROVAL.

C. FINAL APPROVED DOCUMENTS WILL BE DELIVERED TO ROVC PRIOR TO CONTRACT EXPIRATION.

D. REQUIRED CONSULTATION AS NECESSARY WITH ROVC IS EXPECTED.

VI. TERMS OF PERFORMANCE

THE CONTRACTOR WILL PERFORM THE TASKS OUTLINED IN III SCOPE OF WORK AND IV REPORTS, DURING THE PERIOD OF DATES TENTATIVE DATES.

VII. PERSON DAYS (EXCLUDING TRAVEL)

PROJECT COORDINATOR, 10
TEAM MEMBERS (3) 210 PERS D, 312

VIII. A. MR. B. WILL NOT, C. BARBADOS, (REMAIN) ST VINCENT AND THE GRENADINES, ST LUCIA (DOMINICA) GRENADA AND BARBADOS. IT M TIS-ANDS, MONTSERRAT, 12 DAYS. D WILL NOT, E. NO, F. NO, G. NONE.

IX. THE STAFF OF STRATPLAN CAN PROVIDE THE NECESSARY BACKGROUND INFORMATION.

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