

POLICY ON SME AND MICRO FINANCE IN GRENADA

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Background

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- ❖ Successive governments have recognized the need for a coordinated and comprehensive policy on SMEs.
- ❖ A number of attempts have been made at elaborating such a policy (2008 being the most recent). This latest policy proposal will be the subject of my presentation.
- ❖ Over the years, support for SMEs has been implemented in an ad hoc and haphazard manner

Overview of the MSE Sector

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- ❖ According to a 2006 Study by the GCIC, SMEs account for at least 50% of all employment in Grenada
- ❖ SMEs operating in Grenada span a variety of business activities (agriculture, fisheries, manufacturing, construction, tourism, mechanical engineering, wholesale & retail etc.)

Overview of the MSE Sector—Cont'd

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- ❖ The Sector continues to face numerous constraints, including lack of access to finance, high cost of production, the absence of an appropriate legal and incentives framework to name few
- ❖ There are a number of agencies providing various levels of support to the Sector.
- ❖ Over the years the level of support to SMEs have dwindled.

Importance of the Sector

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- ❖ It is widely recognized that SMEs can contribute significantly to poverty alleviation and employment creation.
- ❖ Government's stated position that the economy must be private sector driven.
- ❖ The Sector contributes to over 50% of employment in the Country.

Overview of the Micro Finance Sector

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- Traditionally, Commercial Banks have not been a huge lender to Small and Medium Sized Business (high risk and cost inefficiencies)
- Credit Unions, NGOs and other Microfinance institutions are the principal agencies that lend to SMEs but their reach is limited due to the paucity of resources.
- The Government has played a role in the sector by introducing a number of microfinance programmes, such as Micro Enterprise, Agricultural Development Fund, Fishing Industry Fund, Irrigation Loan Scheme, the GYEI, the Youth Enterprise Development Fund

2008 Policy on SMEs

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- ❖ In 2008, a Policy on Small Business was developed through a participatory approach under the Public Sector Modernization Project. This project was co-funded by the World Bank.
- ❖ In 2009, Cabinet approved the adoption of the Policy.
- ❖ This policy statement is expected to serve as the basis for the enactment by Parliament of a Small Business Development Act.

2008 Policy on SMEs –cont'd

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- ❖ The Goal of the Grenada Small Business Development Policy is to generate wealth and an improved quality of life for more families and to increase better-business skills, competencies and competitiveness in the workforce on the island
- ❖ The purpose is to stimulate the sustainable development, growth and expansion of viable micro, small and medium-scale enterprises and to create appropriate conditions for entrepreneurial spirit and culture to flourish in urban, sub-urban and non-urban communities throughout Grenada

Beneficiaries

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- ❖ Unregistered individual entrepreneurs operating within the informal sector
- ❖ Sole proprietorship established in accordance with the Companies Act
- ❖ Partnerships
- ❖ Joint Stock Companies
- ❖ Registered Cooperatives
- ❖ Foundations, associations and other intermediaries serving small business, and the private sector

Critical Pre-Conditions

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- ❖ Political Commitment to reduce and eliminate unnecessary regulations, rules and other layers of administrative red tape.
- ❖ The ceasing of all credit schemes operated by Government Ministries/Corporations.
- ❖ Political will to establish a functional, centralized entrepreneur friendly ONE STOP SHOP
- ❖ Restrain or reduction in taxation affecting MSEs

Critical Pre-Conditions – Cont'd

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- ❖ Promotion of an innovate or perish mindset
- ❖ Advancing strategic development priorities in the Private sector
- ❖ Matching Participation and financing from enlightened and forward thinking large corporations
- ❖ Repackaging public sector procurement programmes (e.g. Legislation making it mandatory for Government to reserve at least 35% of tenders to SMEs.

Policy Measures

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1. An appropriate legal and regulatory Framework
2. An appropriate fiscal incentives framework for SMEs.
3. Technical Assistance and Training
4. Access to financial services
5. Land Reform
6. The requisite institutional framework
7. The Education System
8. Partnership and strengthening of the institutions serving the small business sector.

The Way Forward: Next Steps

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- ❖ Expedite the Small Business Development Bill to the Parliament. This is one of the targets set in the 2011 Estimates of Revenue & Expenditure
- ❖ Meanwhile, continue to implement reforms that do not require legislative amendments (for e.g. the Small Entrepreneurs Fund was introduced in 2010 and was expanded this year