

# **9<sup>th</sup> Annual Senior Policy Level Seminar - May 2005**

**Liquidity Management And Business  
Opportunities In The CSME And Beyond**

**“Financing small and micro-enterprises -  
Venture Capital and other financing  
myths  
– a reality check and possibilities”**

# **New Caribbean Policy**

- 1. Create new industries by encouraging innovation and opening opportunities**
- 2. Make consumers more important than producers**
- 3. Encourage a wide range of financing mechanisms on a neutral, market basis**
- 4. Educate communities to support entrepreneurship**
- 5. Integrate globalisation into all business life and train new warriors**

# Business in the People's Republic of China

- Exports and growth in local demand – do we envisage growth in *that* perspective?
- In 2004, venture capitalists invested USD 1.269 billion in 253 companies in the ICT sector
- Are our “hot” sectors open to aggressive investment? Would we readily embrace foreign venture capital?
- Isn't the Caribbean more comfortable to many foreign investors than China?

# **Lesson from the PRC (China)**

## **Myth #1**

**Business people rate “access to low cost capital” as the greatest need – trying to fulfill that need is a never-ending activity that has not produced expected results, anywhere**

## **Reality Check #1**

**Business development for SME is about the development of conditions that create industries and the economic and social freedom of a number of people to pursue entrepreneurial dreams**

## **USA vs India ?**

- **The USA is the most competitive economy in the world**
- **Yet, in 2005, an estimated 400,000 American I.R.S. returns were prepared in India**

**What new businesses are we looking at?**

# The new Caribbean Market Economy

## Myth #2

**It is naïve to think that the CSME will create new business activity simply because of freer movement of goods and services or to say that expanding the number of SME will automatically create jobs and increase GDP**

## Reality Check #2

**Creating new business activity is the *challenge* of the CSME. Either wage or employment levels will fall, unless *new business activity* is created**

# **Venture Capital is about partnerships**

## **Myth #3**

**It is not practical to offer Venture Capital as a general source of capital for business or to believe that it is low-cost or readily accessible**

## **Reality Check #3**

**Venture Capital is a form of business partnership. It unites compatible interests with a common objective**

# Lost decades of wealth generation

## Myth #4

**History does not support the view that business acumen is inherent in the culture, genes, religion or colour of some people and not others**

## Reality Check #4

**Micro-entrepreneurs existed at the lower and middle levels of society in the Caribbean for over 12 decades from the 19<sup>th</sup> century**



# **Productivity drives Competitiveness**

## **Myth #5**

**It is neither necessary nor productive nor beneficial to provide micro-enterprises with capital at low rates of interest**

## **Reality Check #5**

**Micro-enterprises generate rates of return in excess of 25% to 50% per month or 300% to 600% per year. High productivity of both capital and labour makes micro-enterprises the most efficient businesses in most economies**

# The Possibilities

**Once we recognise that growth from within our economies requires various processes of interaction between native “software” and global “hardware”, we will recognise that we must not limit ourselves by a local venture capital industry, or a local micro-enterprise sector or even a local financial sector**

# Realising the Possibilities

Once we outlive the “*past in us*”, there will be economic and social freedom for any number of people to pursue entrepreneurial dreams. That means leaving behind, business development methods that have not worked – it means looking for entrepreneurs where the Caribbean has never before looked

# **A new generation of entrepreneurs is emerging in Latin America, East Asia, Italy, Spain**

**This new generation includes:**

- middle class families**
- university graduates**
- entrepreneurial teams who typically, started to think of becoming entrepreneurs at 25 years old and had their first venture at 30**

# **Five Main Initial Motivations For This New Generation of Entrepreneurs**

- 1. To achieve personal fulfillment**
- 2. To put their knowledge into practice**
- 3. To increase their income**
- 4. To be their own boss**
- 5. To contribute to society**

**We all relate to that – how can we educate communities to support this new entrepreneurship? How do we encourage this 5% and be fair to the 95%?**

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