

## MINISTRY OF LABOUR AND SMALL ENTERPRISE DEVELOPMENT

### **Responses to the findings and recommendations contained in the Ninth Report of the Joint Select Committee on Finance and Legal Affairs for the Inquiry into Trinidad and Tobago's performance in negotiating/creating opportunities for trade outside of CARICOM**

The Ministry of Labour and Small Enterprise Development (MOLSED) endorses the key findings and recommendations outlined in the 9<sup>th</sup> Report. Furthermore, the Ministry recognizes that there are areas where the MOLSED must play a key role including with respect to the challenges of micro and small enterprises (MSEs) to produce audited financial data (p.48 of the Report) and the need to provide business development services to start-up entrepreneurs (p. 49 of the Report).

In recognising the need for more financial reporting responsibility by MSEs, the MOLSED notes that more needs to be done to improve the standing of MSEs. It should be noted that an estimated 25,000 registered businesses or 90 per cent of all registered businesses in Trinidad and Tobago are recognized as micro or small. The most significant economic activities of the MSE sector are *Retail and Distribution* (60 per cent), *Personal Services* (16 per cent), *Finance, Insurance, Real Estate and Business Services* (11 per cent) and *Construction* (6 percent). Despite the size, importance and diversity of the sector, micro and small businesses face significant challenges that inhibit them from contributing more effectively to economic development and employment in Trinidad and Tobago.

With respect to the specific finding and recommendation of the 9<sup>th</sup> Report pertinent to the MOLSED, the response hereunder is submitted.

#### ***Finding:***

#### **xii. Small and medium sized businesses have experienced difficulties in accessing the plant and manufacturing grant due to their inability to produce audited financial data (pg. 48)**

The Ministry notes that:

- a) If the regulations require Audited Financial Data (AFD) and this presents difficulties, then either the regulations may have to be changed or formal audits undertaken by manufacturers. In order to conduct formal audits however, the likely approach would be for the MSEs to engage accountants to prepare reports from incomplete records, so that only then an auditing professional who is registered with the Institute of Chartered Accountants of Trinidad and Tobago (ICATT) can be hired;
- b) All of these services are available and can be very costly compared to the expected benefits. If the accounting data of MSEs is not available or insufficient, a formal audit may not be possible without a qualified opinion, which will make the data presented difficult to be relied upon to make financial decisions including the provision of grants.

***Recommendation:***

- I. With a view to engendering the growth of export led industries via access to credit financing ExportTT in collaboration with the MTI and the MOLSED may consider the provision of financial auditing services to nascent businesses at a subsidized cost as a part of their capacity and training initiatives and export support network programme; (pg. 49)**

The MOLSED notes that:

Financial Auditing Services (FAS) cannot practically be provided to individuals by any Ministry, except through the following two (2) separate and fully financed initiatives:

- a) Financial Accounting Services to prepare auditable accounts; and
- b) On presentation of these accounts, obtaining auditing services to conduct audits.

It must be recognized and taken into consideration that the auditors will likely have to refer to the persons that have prepared the auditable accounts in order to be confident of their opinions expressed in the audit. It is reasonable to expect, therefore, that there may be a need to hire Accountant A in months 1 – 10 for a company in order to provide auditable accounts to Auditor B, who will audit in month 15. Auditor B will then require the re-hiring of Accountant A to work with the auditors in months 15-17 to complete the audit.

This can become very expensive and therefore impractical for a Ministry to provide, although it is agreed that a solution must be developed.

In addition to the foregoing and to further support the recommendations of the 9<sup>th</sup> Report, the MOLSED and the National Entrepreneurship Development Company Limited (NEDCO) continue to support the development of MSEs to enhance their trade potential.

**Business Development Services**

There is a need for training and skills development in critical business related areas such as financial management, marketing and organizational development, which affect MSEs' ability to access external markets.

There is a wide range of support services available to MSEs in Trinidad and Tobago. However, as in the case of audited financial records and records management, there is little information on what these sources of support are and how they may be accessed. A number of agencies provide technical assistance, and a wide range of other businesses (which are typically MSEs as well) offer accounting support and marketing support, among other services. Several challenges have been identified as affecting the supply and demand for business development and support services.

These include:

- (i) lack of information on the services available and the sector's needs which result in a mismatch between services offered and those demanded;
- (ii) absence of a standardised product and service quality and a lack of an objective standard of certification;
- (iii) low levels of innovation and entrepreneurship;
- (iv) limited use of advanced technology; and
- (vi) inadequate and insufficient physical facilities for MSEs.

The MOLSED has supported standards training for MSEs along two lines, namely:

- (i) Management and operational standards: training in management standards has been transmitted through all programmes supported by MOLSED where the Ministry partnered with accredited training institutions; and
- (ii) Product and service quality standards: MOLSED initiated a process to collaborate with the Trinidad and Tobago Bureau of Standards and relevant Ministries to support product and service quality standards training for MSEs.

## **Conclusion**

In conclusion, the MOLSED recognizes the value in creating opportunities for trade and considers it a necessary addition to the sustainability of the country's national diversification agenda. The MOLSED is also committed to working with the Ministry of Trade and Industry as well as MSEs and other stakeholders to develop the necessary skills and infrastructure to create and take advantage of opportunities for trade and growth.