

THE BAHAMAS SMALL & MEDIUM SIZE ENTERPRISE DEVELOPMENT ACT 2015

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1.0 INTRODUCTION

Small and Medium Sized Enterprises (SMEs) in The Bahamas will soon be able to compete globally because public and private executives have already crafted the **Bahamas Small & Medium Size Development Act (SME Act)**. The SME Act is forecasted to be legislated during the first quarter of 2015. It will stimulate economic growth and mitigate the negative impact of future recessions on the Bahamian economy.

2.0 SMEDA - SME ACT's EXECUTION AGENCY

The SME Act will be enforced and supervised by a non-political organization called the **Small & Medium Size Enterprise Development Agency (SMEDA)**. A market research has already been completed in early 2014 to obtain information on how SME's owners would like for business development activities to improve and progress in The Bahamas. In addition, SME owners made recommendations on how SMEDA should be structured to cater to the successful development of the SME sector in The Bahamas.

Public and private sector executives will be selected to SMEDA's Board. Members of this Board will be mandated not to make decisions based on negative political, gender or cultural motives. SMEDA's Board will have the authority to make recommendations to modify particulars of the SME Act based on economic conditions or the request of stakeholders.

Presently, a strategic plan is being developed on how SMEDA would be properly structured so that it can operate in an effective and efficient manner.

3.0 THE MISSION OF THE SME ACT

The SME Act, from a domestic perspective, **should provide the foundation on how to improve the economic conditions of the Bahamas**. The SME Act, from an international perspective, **should attract foreign investors** who want to partner with local entrepreneurs in fields like E-commerce, manufacturing, agriculture and information technology. These industries are tremendously underserved and underdeveloped. These types of investments would **diversify the Bahamian economy**, which, to its peril, relies too heavily on Tourism and Financial Services sectors.

The SME Act will revitalize the **entrepreneurial spirit** in all islands of The Bahamas. The SME Act, in its core will **outline policies and initiatives that would assist in the development of S SMEs- a major driving force of our nation**.

The SME Act **will increase the national economic value of SMEs** in The Bahamas. In addition, its purpose is to **synchronize and unify** the efforts of the *Government, financial lending institutions, NGOs, SMEs and other stakeholders* as it relates to small business development in The Bahamas. Most importantly, the SME Act will identify how local and international investors and entrepreneurs can qualify for incentive and stimulus programs when it comes to financing and developing innovative products and services.

4.0 THE IMPORTANCE OF THE SME ACT

The major reason why there is not an explicit master plan for SME development in The Bahamas is because of the absence of a SME Act to drive national strategies.

Six (6) important reasons why a SME Act was crafted:

- I. The SME Act will encourage Bahamians to become entrepreneurs** because it will outline excellent incentives /concessions that will be rewarded for:
 - The development of new innovative products /services
 - The hiring of a specific amount of Bahamians
 - increasing government revenues due to a significant amount of payments made for National Insurance, custom duties, property taxes, license fees etc

- II. The SME Act will increase foreign direct investments (FDI)** because international investors, who are entrepreneurial, will partner with local Bahamians to develop innovative products and services in underserved and undeveloped industries;

- III. The SME Act will keep many existing businesses open during a recession** because it will provide incentives / concessions to businesses that employ a moderate amount of staff, are up to date **with NIB and custom duties, Value Added Tax (VAT), business License fees and contributing to making The Bahamas more competitive globally;**

- IV. The SME Act will encourage Family Island Development** by providing incentives / concessions to Bahamians who want to open small complimentary businesses (tour operators, movie theaters, agriculture, Laundromats etc.) on a family island that will increase the employment rate, improve the infrastructure of the island, encourage Bahamians to reside there permanently and entice more domestic and foreign tourists to visit the island;
- V. The SME Act will increase The Bahamas Gross Domestic Product (GDP)** because it will eventually reduce the importation of foreign products and services, increase compensation to employees, increase business profits, increase government income and increase interest payments to Bahamians; and
- VI. The SME Act will reduce the national debt and deficit because** it will decrease Government spending, particularly on hiring civil servants, and increase Government licenses, fees and taxes because more businesses will be operating in The Bahamas.

5.0 THE IMPACT OF THE SME ACT ON STAKEHOLDERS

The SME Act will impact the decision making process of the following organizations: *Government, SMEs (new entrepreneurs, existing business owners) financial lending institutions, NGOs, professional / trade associations* in the following manner:

5.1 GOVERNMENT:

- Incentive programs will be developed to encourage the creation of innovative products or services that will tremendously improve economic development;

- Business recovery programs will not focus on unemployment hand-outs, but will assist businesses owners in maintaining current employment levels;
- The Bahamas Development Bank, The Bahamas Agriculture and Industrial Corporation and The Bahamas Entrepreneurial Venture Fund would harmonize policies and procedures; and align operational structures to become more effective and efficient when catering to SMEs. All government agencies and department that cater to businesses will work in synergy with SMEDA; and
- Acquiring a business license will be less tedious because all of the relevant regulatory bodies would be under one roof.

5.2 SMEs (NEW ENTREPRENEURS):

- New entrepreneurs that create innovative products or services will have easy access to financial funding, technical training and business support services.
- Favorable technical and business management support will be given to entrepreneurial ventures that develop innovative products, delivery systems, operational structures and marketing strategies in film making, agro-processing, fashion design, e-commerce, information technology, Junkanoo, agriculture, art, e-learning, multi-media production, manufacturing, education, horticulture, software development, fly fishing, art and authentically Bahamian handicraft.

5.3 SMEs (EXISTING BUSINESSES):

- **SMEs that operate in a socially responsible manner** (e.g. up-to date in NIB, custom duty payments, VAT etc.) will have it less arduous to access financial funding and stimulus packages during economic downturns.
- Medical, health and wellness, sports tourism, e-commerce, Information and Communication Technology (ICT), apiculture (bees agriculture), green energy production, innovative manufacturing and agriculture (coconuts etc.) markets will be effectively and efficiently exploited in order to successfully grow and diversify the economy.
- **The government and its partners (public–partnership relationship)** will focus on revitalizing the cultural tourism, agriculture, fishing, fish farming and manufacturing industries. In addition, the hemp, sisal, sponging and forestry industries will be successfully revitalized.

5.4 FINANCIAL LENDING INSTITUTIONS:

- **Commercial Banks, Credit Unions, and Government financial funding programs** will focus on providing adequate capital to variable SMEs in introductory, growth and maturity stages of the business life cycle; and
- All financial lending institutions will engage in collaborate activities to develop various funding packages that address all financial requirements of viable SMEs.

5.5 NGOs (TRADE ASSOCIATIONS / OTHER):

- The Bahamas Chamber of Commerce and Employers' Confederation (BCCEC) , The Inter-American Development Bank, The College of The Bahamas (and other colleges), The International Labour Organization, The Inter-American Institute For Cooperation on Agriculture etc. will collaborate efforts with SMEDA to oversee the enforcement of the SME Act;

5. 6 PROFESSIONAL ASSOCIATIONS:

- Business, Accounting, Medical, Technical, Merchandising, Manufacturing, Construction, Real Estate, Fishing, Agriculture, etc. Associations will lobby for industries specific programs / concessions / incentives that would increase competitive capabilities to offset negative impacts of the **Economic Partnership Agreement (EPA)** and joining the **World Trade Organization (WTO)**.

6.0 THE BASIC STRUCTURE OF THE SME ACT

The basic structure of the SME Act should have **five major components**:

6.1 A CLEAR DEFINITION OF A SME

- The national definition of a SME will be based on the combination of the following: **Industry, Annual Sales, Employment Level and Ownership (Capital Structure)**;
- This definition will clearly indicate the difference between “small businesses” and “medium sized businesses”; and
- Stakeholders that cater to SMEs will be requested to honor this definition.

6.2 INCENTIVES, CONCESSIONS & STIMULUS PROGRAMS

- The present Incentive / Concession Legislation will be encompassed in the SME Act;
- The SME Act will outline new incentives and concessions that would be received by SMEs for developing innovative products and services that contribute to the country's economic development;
- The SME Act will introduce stimulus programs that will be available to selective SMEs to mitigate the negative impact of future recessions. SMEs must be "socially responsible", maintain a specific employment level and show signs of vitality;
- The SME Act will explicitly indicate which SMEs are eligible for incentives, concessions and stimulus packages.

6.3 NATIONAL SME FINANCIAL FUNDING SCHEME

- Government lending agencies, commercial banks, credit unions and other financial lending institutions will collaborate and pool together resources to develop a **National SME Financial Lending Scheme (NFS)**. This NFS will make it easy to access capital for various stages of SMEs' life cycle (Introductory, Growth, Restructuring, Recovery etc.);
- The NFS will have clear policies, and loan packages will be categorized into specific programs based on financial requirements (needs); and
- The NFS will be properly overseen by SMEDA

6.4 TECHNICAL TRAINING & BUSINESS SUPPORT PROGRAMS

- Management, marketing, human resources, computer, finance, accounting and entrepreneurship training will be provided at affordable prices;
- Business Support Programs (BSPs) will be available to all SMEs. SMEs will have access to accountants, lawyers, business, marketing, human resources, information technology and financial consultants who sign up and are approved by SMEDA to offer their services at affordable rates;
- Business coaches and consultants will be assigned to SMEs on a need-by-need or contractual bases; and
- Technical training, BSPs and financial funding will be strategically linked so that SMEs will have a greater chance to operate viable businesses.

7.0 CONCLUSION

The major benefit of the SME Act will be that, through its aggressive financial and overall SME support policies, the Bahamian economy would become diversified and hence, be more protected against future recessions.

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