

MINISTRY OF ENERGY AND BUSINESS

**EQUITY FINANCING TO SMALL AND MEDIUM SIZED ENTERPRISES (SMES)
THROUGH THE INNOVATION AND GROWTH MARKET OF THE BARBADOS
STOCK EXCHANGE**

**CONSULTANCY SERVICES TO DEVELOP AND IMPLEMENT A MARKETING AND
PROMOTIONS CAMPAIGN**

TERMS OF REFERENCE (DRAFT)

1. BACKGROUND

Status of Barbados Economy

- 1.01 The economic landscape in Barbados has been characterised by slow economic growth for the better part of two decades. Data reported by Moody’s Analytics on investment in Barbados, indicates that this stems from a long period with minimal productivity growth, driven by a failure of new investment and of new business entry^{1/}. The result of this period is especially seen in the growth of the Government’s debt burden - increasing debt to GDP ratio for Barbados, which ranked among the highest in the world by 2018. The portion of Government spending allocated to public investment has diminished significantly over time, leading to a poor business climate and infrastructural framework. Against this backdrop of low public and private sector investment, Barbadians have not seen increases in their real incomes in almost a decade and a half. This situation will be further compounded with the expected economic fallout emanating from the COVID 19 pandemic.
- 1.02 In 2018, the Barbados Government (GOB) chose to restructure its debt and enter into an Economic Program under the IMF’s Extended Fund Facility, namely, the “Barbados Economic Recovery and Transformation Plan” (BERT). Barbados’ economic plan aims to target a rapid decline in the debt to GDP ratio over a period of 10 to 15 years, such that the ratio falls to 60% sustainably beyond 2033. However, the restructuring of Government debt caused losses for a number of domestic financial institutions, further limiting the depth of an already-shallow market for business financing. Even as market interest rates have fallen, aggregate lending to business has declined, leading to a deepening cycle of underinvestment.
- 1.03 Based on this economic outlook, the GOB recognises the Micro Small and Medium-sized Enterprise (MSME) sector as an engine of growth, and a critical plank in the effort to revitalise the island’s economy, as articulated in the National MSME Policy Framework^{2/}. This Policy Framework focuses on:

^{1/} Moody’s Analytics. Retrieved from <https://www.economy.com/barbados/nominal-fixed-investment-gross-fixed-capital-formation>

^{2/} The Barbados Small Business Development Sector Network (2016). “A National Policy Framework for the Development of Micro Small and Medium Enterprises.

- (a) accelerating instances of entrepreneurship in Barbados;
- (b) fostering innovation and competitiveness in the small business sector;
- (c) increasing the profitability of SMEs and MSMEs; and
- (d) providing employment opportunities to the labour force of the island.

MSME Landscape in Barbados

1.04 A Barbados national survey on small businesses in Barbados, published by the Small Business Association of Barbados in 2016³, indicated that:

- (a) The total number of micro and small sized enterprises was estimated at 8,903. Micro and small enterprises comprise 92.2% of formal enterprises in Barbados, while medium enterprises (26 to 50 employees) account for 4.1% of enterprises.
- (b) The estimated revenue generated by MSMEs amounted to a contribution of 47.5% of the overall \$7.3 billion of revenue generated by the private non-agricultural sector in Barbados. With regards to the composition of the sector, agriculture accounts for 5.8% of enterprises, industry for 16.8%, and services for 77.4%.
- (c) MSMEs accounted for 60.7% of private sector employment, and 47.6% of total employment in the country. The bulk of this employment was in small service companies, which accounted for 33.8% of private sector employment, and 26.5% of total employment in the country.
- (d) Regarding exports, MSMEs accounted for 38.8% of total exports.
- (e) Female led enterprises accounted for 34.4%, the related percentage for male led enterprises was 59.6%. About 6.1% of the enterprises had equal male and female ownership. Forty-eight percent (48%) of sole proprietorships were female owned. The sectors with largest share of females' owner were Professional Services (19.3%), Manufacturing (15.0%), Retail (11.2%) and Arts and Entertainment (10.7%). Whereas the sectors which accounted for males as the largest owner were Manufacturing (18.8%), Professional Services (11.4%) and Retail (10.5%).
- (f) Most owners of MSMEs were under 50 years of age (67.7%), 64.3% for males and 72.9% for females. Further, 19.1% of the ownership of micro and small businesses were under 34 years of age.

^{3/} Small Business Association (2016). "The State of Small Business in Barbados": Summary of a National Survey of the Micro, Small and Medium Enterprise Sector. Retrieved from <https://www.sba.bb/sba/index.php/news-research/research/category/2-research>.

Challenges for MSMEs to Access Financing in Barbados

- 1.05 There is inadequate access to financial resources by MSMEs in Barbados, due in part to an underdeveloped financial services industry dominated by commercial banks, which regard lending to MSMEs as high risk.
- 1.06 As reported in the previously mentioned national survey on small businesses in Barbados, many small enterprises are cautious about loan financing, as this is considered riskier. There is also a preference for low-cost, flexible financing, with low interest and fees, repayment schedules that match their cash flows, and some leniency for late payments. As a result, nearly all micro entrepreneurs surveyed reported that they relied on savings to facilitate expansion and to implement initiatives to enhance their competitiveness.
- 1.07 Further, the economic fallout emanating from the COVID19 pandemic will exacerbate problem of limited availability of alternative financing options for MSMEs, as well as diminish savings. There are other loan facilities available to some groups, such as FundAccess, Barbados Youth Business Trust (BYBT), and Youth Entrepreneurship Scheme (YES). However, there is still a clear void, not only in the need for additional financial sources, but also for an expansion of the types of finance to include venture capital, debenture financing and other forms of debt and equity finance

GOB Efforts to Increase Access to Finance to MSMEs

- 1.08 The GOB has introduced several initiatives to bolster the MSME sector and enhance access to financing. As outlined in National MSME Policy Framework - *Policy Objective 3 - To Introduce or Expand Options for Alternative and Innovative Financing of MSMEs*, some of the following initiatives were outlined to facilitate an alternative and innovative financing regime for MSMEs.
- (a) Provide a regulatory regime to incentivise small and medium size enterprises.
 - (b) Encourage MSMEs to raise funds for development purposes through participation in the Junior Stock Market (now referred to as the Innovation and Growth Market -I&GM).
 - (c) Encourage national, regional, and international private sector and NGO partnerships to provide “Angel Financing”, “Venture Capital” and or “Crowd Funding” as a source of financing to MSMEs.
 - (d) Facilitate the creation of a mechanism to offer development financing solutions for MSMEs.

Caribbean Development Bank’s (CDB’s) support to increase access to finance to MSMEs in its Borrowing Member Countries (BMC).

1.09 It is against this background that GOB, acting through the Ministry of Energy and Business (MEB) in collaboration with the Small Business Association of Barbados (SBA) and the Barbados Stock Exchange (BSE), has requested Technical Assistance from CDB.

Details of the Project

1.10 The intent of the project is to make equity financing attractive and accessible to all Small and Medium-sized Enterprises (SMEs) by allowing them to list on Innovation and Growth Market (IGM) of the BSE. The project is designed as a pilot which consists of the following three (3) phases:

- **Sensitisation and Education Phase** will focus on creating awareness about the operations of the BSE, the features and listing requirements for the IGM, raising capital through equity financing, and educating the public and potential investors on benefits and opportunities presented by the stock market. This also includes a comprehensive training programme specifically for 50 SMEs.
- **Diagnostic and Capacity Building Phase** includes an assessment and ranking of prospective MSMEs seeking public listing and initiatives to enhance the organisational capacity of the firms along with further training. Training will be provided to the Ministry and business support organisations as a means of ensuring knowledge transfer and sustainability of the programme.
- **Raising Capital and Listing Phase** will focus on enabling 20 firms to list to raise capital by selling its shares to the public. The expected 20 qualified firms for listing on the IGM, will be responsible for their preparations towards the Initial Public Offers (IPOs).

2. CONSULTANCY OBJECTIVE

2.01 The objective of this consultancy is to create and implement a multi-faceted marketing and promotions campaign, geared towards informing and educating MSMEs, potential investors and other key stakeholders, on the benefits of raising equity financing by listing on the Innovation and Growth Market of the Barbados Stock Exchange.

3. SCOPE OF CONSULTANCY SERVICES

3.01 The Consultant will perform the following activities to achieve the stated objectives of the consultancy assignment:

- (a) Gather relevant information on target audience/stakeholders, review relevant background information;
- (b) Conduct consultations with stakeholders;

(c) Perform a Stakeholder Analysis. The list of identified stakeholders includes, but not limited to, the following:

STAKEHOLDERS	
• Ministry of Energy and Business (MEB)	• Barbados Private Sector Association (BPSA)
• Caribbean Development Bank (CDB)	• Barbados Revenue Authority
• Barbados Stock Exchange (BSE)	• Barbados Bankers Association
• MSMEs	• Deposit Taking Financial Institutions
• Prospective investors	• Barbados Chamber of Commerce and Industry
• Stock Brokers	• Barbados Bar Association
• Ministry of Finance and Economic Affairs	• Institute of Chartered Accountants of Barbados
• Central Bank of Barbados	• Corporate Affairs and Intellectual Property Office (CAIPO)
• Financial Services Commission	• University of the West Indies – Sagicor Business School
• Small Business Association of Barbados	• Public
• SBDC Network	• Media

(d) Develop a Marketing and Promotions Plan aimed at educating the public and target audience on the following:

- (i) The nature and operations of the Barbados Stock Exchange.
- (ii) Benefits of investing through the Barbados Stock Exchange.
- (iii) The Innovation and Growth Market initiative, what is it and why it's important.
- (iv) Why SMEs should take advantage of an opportunity to list on the Innovation and Growth Market,
- (v) Benefits of equity financing from the investee/investor perspective.
- (vi) Requirements for SMEs to list on the Innovation and Growth Market – legal form, governance etc.
- (vii) And other areas relevant to the development to the Marketing and Promotions Plan.
- (viii) Design content of promotional material for all types of media.

(e) Design and produce promotional material, advertisements and all other content required for the effective conduct of the Marketing and Promotions Plan.

(f) Implement the Marketing and Promotions Plan.

4. REPORTING REQUIREMENTS

4.01 The Consultant will report to the Project Coordinator in the Ministry of Energy and Business and will be required to submit/deliver the following:

- A Marketing and Promotions plan utilising all relevant media (print, social, radio and TV).
- Planning and promoting one sensitisation and education seminar for SME representatives.

- Creation and production of appropriate promotional material.
- Implementation of the Marketing and Promotions campaign.
- Submit an inception report and work plan with timelines within two (2) weeks after the commencement of the assignment.
- Submit the comprehensive Marketing and Promotional Plan within six (6) weeks after the commencement of the assignment, including the sensitisation workshops.

4.02 MEB is the Contracting Authority and the Executing Agency, and is responsible for general oversight of the Project, final approval of any contractual amendments, the approval of deliverables and reports, and payments.

4.03 All day-to-day operations and communication regarding the implementation of activities under the contract will be handled by the Supervising Entity – MEB.

4.05 The Technical Oversight Committee will review and recommend approval of project deliverables.

5. DURATION

5.01 It is estimated that this consultancy will require 70 man-days over a period of twelve (12) calendar months.

6. EVALUATION OF EXPRESSIONS OF INTEREST

6.01 Following the assessment of submissions, a short list of not less than three and not more than six applicants will be provided with full terms of reference and invited to submit technical and financial proposals to undertake the assignment.

6.02 GOB reserves the right to accept or reject late applications or to cancel the present invitation partially or in its entirety. It will not be bound to assign any reason for not short-listing any applicant and will not defray any costs incurred by any applicant in the preparation and submission of Expressions of Interest.

7. QUALIFICATIONS AND EXPERIENCE

7.01 The consultants will assemble a team of qualified experts to undertake the assignment. The team of qualified experts should collectively possess the following qualifications and experience:

Key Expert 1 – Expertise in Mass Communication and Public Relations

- a) At least an undergraduate degree in mass communications, public relations, or a related field

- b) Excellent communication and advocacy skills. Ability to mobilize interest and support with a wide range of audiences;
- c) At least 3 years of progressive experience in the field of mass media, public relations and outreach, communications;
- d) Experience in designing and conducting effective communication and sensitization programmes in Barbados, or other Caribbean country, aimed at influencing the attitudes or choices of the public at large.
- e) Excellent interpersonal and English language communication (written and oral) skills.
- f) Experience in providing leadership on speaking points for the guidance of officials involved in various aspects of the campaign.

Key Expert 2 - Expertise in Marketing

- a) Undergraduate qualification from a recognised university.
- b) Proven experience designing comprehensive community-focused marketing campaigns using social and traditional media. Please provide examples of previous experience in at least two relevant projects within the last five years.
- c) At least three years of experience in developing attractive and effective promotional materials.
- d) At least two years' experience in developing and conducting multimedia marketing and promotions campaigns.
- e) Understanding, and appreciation of contemporary focus on equality and diversity.
- f) A good understanding of the Barbados business climate, and of the local SME sector in particular, and the challenges of SME financing.