

Trinidad and Tobago

The experience of Trinidad and Tobago is analysed in this chapter using a similar approach to that used for Mauritius. The chapter examines initial conditions and industrial achievements, enterprise cases, policy and institutional factors and, again most importantly, lessons for other small states.

5.1 Initial Conditions and Industrial Achievements

Just as Mauritius is often cited as the leading success story in the African context, so Trinidad and Tobago is today the most industrialised of the Caribbean small states, and the highest ranking in the SSMECI index in the region. To a large degree this reflects its natural resources and the large oil and natural gas industries that have developed from them. For this reason, the case of Trinidad and Tobago is at first sight less relevant to other small states than that of Mauritius – if a country is not endowed with a resource such as oil, barring a shock discovery this will not change. However, while only a few of the small states in our study have petroleum resources, many countries have natural resources of a different but potentially significant nature. All small states can learn from the Trinidad and Tobago experience of providing the policy environment to support competitive growth, managing natural resources well (whether they are petroleum based or not) and leveraging from this to diversify the industrial base. Trinidad and Tobago also has success stories in the non-oil sector and is an exception worthy of closer attention.

The initial conditions of Trinidad and Tobago were in many ways favourable, and ever since oil was discovered in the nineteenth century, the country was set on a *potentially* higher development path than many other countries, particularly small states. While the oil industry only really got off the ground after 1910, by the mid-1930s the country had become the leading oil producer in the British Empire. However, as in many countries that have experienced the so called ‘curse’ of oil, this success led to a comparative neglect of other sectors of the economy, and agriculture and manufacturing suffered a sharp decline.

Upon independence in 1962 Trinidad and Tobago was heavily dependent on the oil sector, and as a result the wider economy, particularly tradable manufactures, suffered from higher wage rates and unfavourable real exchange rates. Coupled with this, the country also suffered from the constraints faced by other small states, such as a small domestic market and limited human resource pool. As such, apart from the successful oil industry, the rest of the economy was weak and relatively uncompetitive.

In the decade 1973–1983, world oil prices rose dramatically and the focus on oil led to rapid growth, with rising incomes, consumption and investment. However, falling oil

prices thereafter exposed the over-reliance on oil²⁷ and led to contracting output, declining per capita income, high unemployment, rising exchange rates and loss of foreign exchange reserves. With little else to rely upon for foreign exchange, the current account went into large deficit, reaching -8.59 per cent of GDP in 1986. In response to this in 1988 Trinidad and Tobago introduced a programme of structural reform and liberalisation, aimed particularly at restoring external balance. Reforms continued in the early 1990s, with reductions in import duties and encouragement of the role of the private sector. As the reforms took effect, the economy rebounded and the manufacturing sector improved significantly. As a result of this resurgence and increased oil prices, the current account came back into balance, and while it is still subject to swings in the oil price, in 2001 it was positive at 4.5 per cent of GDP.

Table 5.1 sets out some comparative statistics for the period just before structural adjustment and the most recent estimates. National income, measured by real GDP,²⁸ has increased from US\$4,940 million in 1988 to US\$7,205 million in 2002, while real GDP per capita rose from US\$4,096 in 1988 to US\$5,466 in 2002. While the manufacturing sector has not grown any faster than other areas of the economy (as reflected in the constant 8 per cent share of manufacturing value added in GDP for both years), its share in total exports has dramatically increased from 23.4 per cent in 1987 to 42.6 per cent in 2001. Accordingly, manufactured exports per head in current \$US have increased from US\$386 to US\$1,655 in the period 1988–2001.

Table 5.1: Comparative Statistics for Trinidad and Tobago – Before Structural Adjustment and Most Recent Estimates

Indicator	Base Year 1988	Actual Year	Most Recent Estimate	Actual Year
Gross Domestic Product (current US\$000)	4,496,702	1988 ^b	9,400,000	2002 ^a
Gross Domestic Product (constant 1995 US\$000)	4,940,584	1988 ^a	7,205,590	2002 ^a
GDP per Capita (current PPP US\$)	5,828	1988 ^a	9,114	2002 ^a
GDP per Capita (constant 1995 US\$000)	4,096	1988 ^a	5,466	2002 ^a
Manufacturing Value Added as % of GDP	8	1987 ^c	8	2001 ^c
Manufactured Exports (current US\$000)	461,300	1988 ^c	2,182,265	2001 ^c
Share of Manufactured Exports in Total Goods Exports	23.4	1987 ^c	42.6	2001 ^c
Manufactured Exports per Head (current US\$)	382	1988 ^d	1,655	2001 ^d
Openness (Import and Exports as % of GDP)	66	1987 ^b	93	2001 ^a
Current Account Balance (% of GDP)	-8.59	1986 ^b	4.5	2001 ^e
Life Expectancy at Birth	70	1987 ^b	72	2002 ^a
Population	1,206,310	1988 ^b	1,318,300	2002 ^a
Infant Mortality Rate	22	1987 ^b	17	2001 ^a
Land Area	5,130	1988 ^b	5,130	2002 ^a

Source: Author's compilation based on data from UNCTAD, *Handbook of Statistics 2002* and Central Bank of Trinidad and Tobago, *Annual Economic Survey 2002*

^aWorld Development Indicators 2003; ^bWorld Development Indicators 2001; ^cUNCTAD, *Online Handbook of Statistics 2002*; ^dAuthor's calculation; ^eCentral Bank of Trinidad and Tobago, *Annual Economic Survey 2002*.

Table 5.1 shows the comparative success that Trinidad and Tobago has enjoyed over the last 15 years or so compared with its own earlier position. The SSMECI developed in Chapter 3, where it is placed fifth out of the 40 countries in the sample, demonstrates its success compared to other small states.

5.2 Selected Enterprise Cases

The success of Trinidad and Tobago in the last 15 years and its rise to manufacturing competitiveness is amply demonstrated by two enterprise-level case studies. These show how firms have used a technological and knowledge-based approach to manufacturing, as described in Chapter 2, supported by the new policy environment and links to the regional market, to achieve significant growth. To demonstrate that this success is not just in the petroleum sector, both case studies are taken from the beverages sector.

The first case study is that of S. M. Jaleel & Co., a soft drinks manufacturer (Box 5.1).

Box 5.1: Strategy, Technical Innovation and Training the Key To Success – Soft Drinks Company S. M. Jaleel & Co.

S. M. Jaleel, based in Trinidad, is a family-run business that is now the largest soft drinks manufacturer in the Caribbean. Dominating the CARICOM market, with leading brands in four different sectors, it employs over 1,200 people in various factories and distribution points throughout the region. Using this base and franchised factories overseas, it exports to 60 countries worldwide and is established in major markets such as the US, where in 2003 it sold 6 million cases of drinks through the supermarket chain Walmart.

This success comes from humble beginnings as a small family-run enterprise which, despite an 80-year history, has in effect been built from scratch in the last 25 years. Established in 1924 by S. M. Jaleel, it enjoyed some early success in Trinidad and Tobago, but as the founder grew old, competition increased and equipment became obsolete it went into decline. By 1970 it accounted for only 1 per cent of the local drinks market. However, in 1980, the founder's grandson, Aleem Mohammed, took over, and transformed it into the successful company it is today.

The reasons for this success are both complex and numerous. Four key factors can be identified which provide lessons to other firms both within Trinidad and Tobago and in other small states.

Technological Innovation: Since 1980 the installation of modern technology has been a key strategy, and large investments have been made in new plant machinery. With a mixture of finance provided by a personal mortgage and seed capital from the Development Finance Corporation, a modern factory was built in 1981, and the company continues updating its technology, currently spending US\$3–5 million on

capital investment each year. Today it has a truly first world, state-of-the-art integrated production process based on P.E.T. bottling machinery and capable of producing up to 40,000 bottles an hour. It has even been instrumental in the design of new production processes, introducing a new lightweight 250ml PET bottle that is now patented in 150 countries. As a result, it is now transferring operating knowledge back to its US and European partners and earning royalties. The low marginal costs that such a modern production line creates not only keeps S.M. Jaleel products competitive, but has also led to contracts to supply P.E.T. bottles to other firms and to package bottles for other international brands.

Strong Entrepreneurial Leadership: This success has owed much to the strong entrepreneurial drive and leadership of the current chairman. Originally trained as a medical doctor, he devoted years of personal study in order to make the transition to a manufacturing businessman, reading management books and reports late into the night. His desire and commitment to succeed, in co-operation with others rather than at the expense of others, is evident in the company's ethos and working practices.

Investment in People: The company places great emphasis on its staff and invests a significant amount in training each year – 2–3 per cent of turnover. Every worker, of whatever grade, enrolls on a structured training programme over three years, which uses a combination of classroom and on-the-job training. This is made up of various modules, as appropriate to the position, with the worker receiving printed manuals and operating procedures for future reference. A recent strategic partnership with the University of the West Indies and the Institute of Business is intended to further develop specific training at higher levels. This investment has paid off, with increasing labour productivity and high staff retention rates – 90 per cent of staff have been at the company for over five years.

Product Development and Marketing Strategy: Strategic thinking has been a key feature behind the success, both in terms of the products developed, and how and where they are marketed.

Product Development – It was quickly realised that Cola was a saturated market, so unique products have been developed, utilising the strengths of the Caribbean, and targeted at specific age groups and sectors. New products have been complemented with innovative bottling techniques, further increasing product differentiation.

Export Strategy – The strategy for developing exports has been based on consolidation, following an 'onion ring' concept. First success in the Trinidad and Tobago market was achieved, followed by success in the Caribbean market, which was then followed by success in the Americas. The next planned steps are to focus on Europe, then the Middle East and Far East. To achieve these aims, strategic use has been made of trade agreements such as CARICOM and of innovative franchising with foreign partners.

Another success story is that of Angostura Bitters, a spirits company based in Trinidad, but operating on a global level (Box 5.2).

Box 5.2: Trinidad's Own Multinational – Angostura

Angostura, an alcoholic beverage company based in Trinidad and Tobago, has a history going back to 1824, when it started producing the unique and now famous Angostura Aromatic Bitters. From this niche it has diversified through company acquisition and developed into a worldwide group of companies, which produces rum, whisky, cognac and vodka as well as the original bitters. Now trading as CL World Brands PLC, it exports 85 per cent of production, has 2,500 employees and a turnover of US\$400 million. Thus it is Trinidad's own multinational.

Balancing Risk with Consolidation

Angostura's success has been based on a careful balance of risk and consolidation. The company has been forward looking and adventurous, especially in recent years. At each stage, however, it has taken a step-by-step approach, and has never risked the core business. It has utilised local knowledge where appropriate, but has not been afraid to go global where necessary, especially in terms of technology and marketing.

Leveraging off a Consolidated Niche and Preferential Trade Agreements

The success of Angostura is ultimately based on its bitters, which has a worldwide reputation, and has the history of its secret formula as its competitive advantage. However, as with any true niche market, production of bitters is subject to a ceiling on sales and in order to grow further Angostura have had to diversify. This has been done through clever use of the Angostura brand's reputation to leverage into new markets. In 1949 the product range was expanded to rum and by 1997 Angostura held 97 per cent of the local market share. This consolidated position was used to secure a tie-up with the multinational Bacardi company, and under this arrangement Bacardi purchased all of its rum from Angostura, which was able to gain preferential access to the EU market as a result of Trinidad and Tobago's ACP status. Without its reputation and production leveraged from its consolidated niche, as well as the preferential trading status, this lucrative tie-up might not have materialised.

Diversification through Acquisition of Strong Brands

In 1997 Bacardi sold its stake in Angostura and the company was brought by CL Financial, a Caribbean holding company which gave Angostura the financial backing to expand and diversify further. Importance was attached to a diversification strategy of building production based on strong brands. These brands could not be grown easily from Trinidad and Tobago so a programme of international acquisition was started. In the past five years more companies have been acquired, including Todhunter of the US, which gave access to the US market through its 'Cruzan' brand and Burn Stewart Distillers who produce 'Scottish Leader' whisky, which is popular in Africa. The combined brands use their strength in one market to pull through the other labels in the group. Thus expanding the market presence of each brand is easier.

While it may not be possible for all firms in a small state to reach this level, both these case studies show the potential for enterprises based in small states to become truly globally competitive. Neither had to rely on FDI or on a product based on a unique resource endowment. Instead they simply employed good strategic thought and a mixture of appropriate technology and leverage off the regional market to make the step into global markets. This strategy should be within the reach of all small states' firms.

5.3 Policy and Institutional Factors

The successful recovery of the Trinidadian economy and the move to export competitiveness is the result of a combination of factors – the hard work and success of the individual enterprises, combined with the supporting policy and institutional framework which allowed them to flourish. Some aspects of the policies adopted at that time, and the current institutions, are detailed below.

5.3.1 Policy Framework

The policy framework, developed as a response to the oil price crisis of the 1980s, consisted of a mix of incentive-based policies to remove economic distortions created by past government policies, as well as more active supply side policies to overcome problems that impeded the creation of new competitive advantages by enterprises. While it is not possible to document the entire policy framework here with all its subtle nuances and characteristics, the key features are drawn out below.

Macroeconomic Stability

At the height of the economic crisis caused by the fall in the price of oil, the government appointed a high-level task force to report on the measures needed to produce greater stability and to recommend new policies which were then implemented. These included measures to:

- Tighten monetary policy to retain control of inflation, but balance institutional liquidity;
- Tighten public spending and wage increases, to ensure fiscal sustainability; and
- Devalue and then gradually liberalise the exchange rate to a managed float regime.

Policies have evolved over the years as the situation has improved, but successive governments, from both sides of the political divide, have been committed to implementing and maintaining macroeconomic stability. There is recognition that it is difficult for enterprises to be competitive if the economy within which they are operating is uncertain and uncompetitive, either because of high inflation or rapidly changing interest or exchange rates.

Trade Policy

Like many other developing countries, Trinidad and Tobago pursued a protectionist trade policy based on import substitution, which was achieved through an extensive licensing and quota system. However, while this protected local firms and may have induced some investment, it was a strong disincentive to the encouragement of exports and international competitiveness. As the balance of payments situation worsened at the end of the 1980s the government moved to liberalise the trade regime. Tariff and non-tariff barriers were lowered gradually, to allow firms time to adjust, and following a known and set timetable in order to reduce the power of lobbying. As domestic liberalisation was pursued, so liberalisation of regional markets was sought in order to increase export potential. Trade barriers within CARICOM fell and free trade agreements were sought with South American neighbours.

The changes in trade policy, in conjunction with the other factors detailed in this chapter, have had a significant impact on Trinidad and Tobago's trading profile. The economy is now much more open, with imports and exports as a percentage of GDP increasing from 66 per cent in 1987 to 93 per cent in 2001. The country has also taken advantage of the CARICOM free trade area, almost to a point where it dominates it. In 2001, 66 per cent of total intra-regional exports came from Trinidad and Tobago, while only 6 per cent of intra-regional imports were absorbed by Trinidad and Tobago.²⁹

Active Export Promotion Incentives

At the same time as efforts were being made to liberalise the trading regime and achieve macroeconomic stability, policies to actively incentivise exports were also introduced in the short term. These helped to overcome the previous anti-export bias that the previous policy regime had encouraged.

- **Tax Rebates for Retooling:** These provided accelerated depreciation and investment allowances so that 100 per cent of investment on new capital equipment could be depreciated in the year of purchase. Effectively this meant that tax rebates were given for the total amount spent on capital equipment purchase, thereby acting as a huge incentive to retool and boost competitiveness.
- **Tax Allowances for Exports:** Tax free allowances were given as appropriate to the percentage of sales that was exported outside the CARICOM region, i.e. if 50 per cent of sales was exported outside CARICOM, 50 per cent of corporate profits received tax relief.
- **Export Grants for New Market Penetration:** Grants were given to cover 50 per cent of the start-up costs of breaking into new markets outside the CARICOM region. This included the costs of market research/surveillance and of new packaging requirements. The grant only covered expenses until the first commercial shipment was sent.

- **Tax Credits for Ongoing Advertising/Marketing Expenses:** To promote increased promotion in markets outside CARICOM, all advertising and marketing costs were eligible for a 150 per cent tax credit.

It should be noted that due to the introduction of WTO rules to limit export subsidies, direct incentives such as those offered above can no longer be offered solely to exporters. Such incentives must now either be offered equally to all firms or not at all. While only the accelerated depreciation incentive above would still be allowable, the principle of assisting exporters to overcome anti-export bias still holds. This can be achieved to some extent through institutional support (see below).

More Recent Policy Initiatives

Over the years the policy framework has evolved as the economy has recovered, and some policies, such as the active export promotion incentives, have been discontinued. The thrust of the policies however, has been maintained in current policies. Of the more recent policy initiatives, two are of particular interest:

- **Vision 2020:** This is an attempt to set long-term policy goals across a range of policy areas, as well as to pursue realistic implementation plans. Although it is a government-sponsored initiative, the Vision plan involves a wide cross-section of society, including private sector and civil society representatives in all 29 subcommittees and consultation with the public across the country. The process has high level support, with the multisectoral steering group chaired by a leading private sector figure and a Cabinet subcommittee chaired by the Prime Minister. While the process is only at the initial stage, and much work is still to be done designing policy, let alone implementation, it is hoped that this will be the basis for an improved and stable policy environment within which Trinidad and Tobago can become more competitive and raise the standard of living of all its citizens.
- **New Investment Promotion Act:** For a number of years there have been calls from various organisations for the Foreign Investment Act 1990 to be reformed, and the pattern of discretionary investment incentives to be replaced with a simplified lower tax regime that treats foreign and domestic investors equally. A new Act has been drafted, but awaits passage through parliament.

5.3.2 Current SME and Trade Support Institutions

To support the policy framework, a network of SME and trade support institutions have been set up in Trinidad and Tobago with the aim of facilitating growth and encouraging export competitiveness. Over the years the mandate of these institutions has matured and some have been refocused as the economy has evolved; others have been created to fill gaps in the support network. Brief details of three of the institutions involved are

given below. Others not covered here, but which are active, include the Free Zones Company, the Export-Import Bank and the Bureau of Standards.

In many ways the current institutional set-up has been designed to match the growth cycle of the enterprises in question. The National Entrepreneurial Development Company (NEDCO) helps with the start-up and incubation of new firms and entrepreneurial spirit, the Business Development Company (BDC) takes established small firms and helps them in the transition to competitive medium size and export-ready status. The Tourism and Development Corporation (TIDCO) then promotes their products overseas, and facilitates information exchange with international markets.

The Tourism and Industrial Development Corporation

TIDCO was set up in 1995 following an amalgamation of three previous institutions for promoting investment, trade and tourism – the Industrial Development Corporation, the Export Development Corporation and the Tourism Development Authority. It now works as a consolidated agency to market and promote Trinidad and Tobago as a premier destination for tourism, investment and a source for quality goods and services – in effect to market and promote ‘Brand T&T’. It seeks to focus on promotion and facilitation, rather than micro trade policy issues that should be the realm of the Trade Ministry. In this way it is able to focus its resources more effectively.

TIDCO has approximately 120 employees, of whom 90 are professional staff, an annual operational budget of around \$US3.25 million and a capital budget of \$US 1.25 million. Given the wide scope of its mandate, it reports to both the Ministry of Tourism and the Ministry of Trade and Industry, and receives its operational budget from the former and its capital expenditure budget from the latter. As TIDCO is the certifying body for various trade agreements, including rules of origin requirements and certification of exporters, it receives income from the required inspections. Currently it receives US\$0.4 million annually through such cost recovery.

The Trade and Investment Division of TIDCO has a staff of 28 and a capital budget of almost US\$0.5 million. Most of this goes towards trade promotion (US\$0.4 million), with the rest (US\$0.1 million) being spent on investment promotion. The unit’s activities include:

- **Investment Promotion:** Promoting Trinidad and Tobago as an investment location, especially for export competitive industries in the non-oil and non-energy sectors of the economy. This includes facilitating investors through the approval process and then post-investment aftercare.
- **Export Promotion:** Promoting and facilitating the export activities of local manufacturers and producers, including provision of trade information on the criteria, rules and regulations for entering foreign markets. This occurs through traditional promotional outlets (missions, fairs, etc.), as well as increasing use of electronic means such as the web-based trade point system.³⁰

- **Research and Analysis:** Conducting sectoral studies, analysis of trade agreements, steps involved in the export process and their cumulative effect on the export sector.

To support and facilitate this work, each year trade and investment promotion missions are arranged to various key markets and exhibition fairs and conferences are organised in Trinidad and Tobago and the region.

The Business Development Company

The BDC started out as the Small Business Development Company (SBDC). At that time it had a broad mandate to support SME development and often acted as a lender of last resort when firms were unable to obtain finance elsewhere. In 2002, however, it was remodelled into a more services focused organisation based on principles of cost recovery, and renamed as the BDC. Its mandate was changed to focus on turning established small businesses into successful medium³¹ and large enterprises that can compete more effectively in regional and international markets. To do this the company provides a suite of business development services (technical, financial and export development) to existing businesses on a cost-sharing basis. The aim of these services is to:

- Enhance management capacity;
- Promote technological innovation;
- Encourage product development;
- Improve productivity and quality control; and
- Improve access to export markets for enterprises.

The BDC has a staff of nearly 50 people, approximately 25 of whom are professional staff. It has an operational budget of US\$0.8 million, approximately 17 per cent of which comes from cost recovery for services provided. This is targeted to rise to 30 per cent by the end of 2005, through increasing the range of products charged for and the percentage recovery. As an example of present recovery rates, BDC charges 50 per cent of costs for a training session on standards.

The services provided by the BDC include:

- **Training:** Covering a wide range of topics customised as appropriate and including business planning, marketing, standards and ISO awareness raising, and financial management;
- **Consultancy Services:** Advice is given on a wide range of issues, including upgrading, business process re-engineering, sourcing and marketing;
- **Loan Guarantee Scheme:** Guarantees on loans up to US\$40,000 if a company's business plan is approved and the applicant contributes some of the capital themselves.

The National Entrepreneurial Development Company

NEDCO was established in 2002, when the SBDC became the BDC, and in effect took over the SBDC's role as an SME start-up incubator. Its mandate is to facilitate and catalyse the development of the SME sector in Trinidad and Tobago by encouraging the development of new small³² and micro³³ enterprises, particularly among disadvantaged sectors of the community such as young people, women and rehabilitated offenders. This is done through the provision of the following services:

- Entrepreneurial education and development (specialised centres and schools);
- Business advisory and coaching services;
- Business mentoring and training;
- Small loans for business start-ups and advice on securing funding.

Future Challenges for SME and Trade Support Institutions

While the interaction of the network of institutions in Trinidad and Tobago has been designed fairly well from a theoretical point of view, the challenge facing the government and the institutions themselves is to make this work in practice. Care needs to be taken to ensure that activities and initiatives do not overlap, while at the same time ensuring that there are no gaps in the support network. This will require extensive co-ordination between the organisations, at both senior management and operational level, as well as regular monitoring and feedback from users.

A potential problem exists at TIDCO with the desire to combine all promotional efforts into one organisation under 'Brand T&T'. While this does create some synergies, it has perhaps left the organisation trying to do too many things at once, and with confused budgeting and reporting lines. Once the tourism industry has moved out of a phase of needing investment to increase the numbers of hotel rooms available, it may be preferable to split tourism from trade and investment. This would also resolve the problem of reporting to and receiving budgets from two ministries and the inherent conflict of interests that this causes.

5.4 Lessons from Trinidad and Tobago

- **Macro stability is fundamental:** While many factors have been at play in the country's recent success, the role of macroeconomic policy in providing a stable policy environment has been key, especially given the well-documented difficulties that strong oil sector growth can have on the wider economy. With low inflation, a stable exchange rate and sustainable budgets, firms within the economy have had the freedom and incentives to invest and grow.
- **Policy stability and unified strategic direction:** In addition to the stable macro

policy environment, the overall strategic direction of policy towards liberalisation, backed by regulatory and supporting institutions, has been maintained by successive governments. This policy stability has helped business planning and given enterprises the confidence to invest. Initiatives such as the Vision 2020 plan can help to reinforce this, as long as they have wide civil society involvement and backing and do not become too politicised.

- **Use the regional market as a stepping stone:** Both the overall trade figures and the individual enterprise case studies point to CARICOM as being an important stepping stone for Trinidad and Tobago in subsequent wider export success. Regional markets offer the opportunity for firms to gain experience in the logistical problems of exporting in a market where the distances involved and the tastes of consumers are perhaps not too different from their own market. This can be invaluable when seeking markets which are further away or more competitive.
- **Encourage retooling and technical innovation:** Within the new manufacturing context discussed in Chapter 2, technology plays a key part. While old and outdated technology may be enough to sustain a niche in the domestic market, if firms are to compete in international markets they need more advanced technology. An example of this can be seen in the case study of S.M. Jaleel, which has used state-of-the-art technology and innovation to create new markets. While ultimately this is a private sector decision, government can encourage retooling and innovation through information sharing and incentive packages, such as accelerated depreciation.
- **Institutional set-up must be clearly defined:** To work effectively, trade support institutions must be integrated into an overall network with an overall strategic purpose. In both the stated mandate and practical operations, areas of overlap need to be eliminated and areas where support is lacking need to be covered. This requires extensive co-ordination between organisations, both at senior management and operational level, as well as regular monitoring and feedback from users.
- **Cost recovery is important, however small the fee:** For the provision of business support and advisory services to work there must be 'buy in' from the enterprises themselves. Making them pay something, however small, is an important concept. However, introducing cost recovery is difficult when recipients are used to free services. To overcome this education is needed on the potential benefits, and the services offered must be desirable and worthwhile.