

APRIL 2012

*Staying Connected*

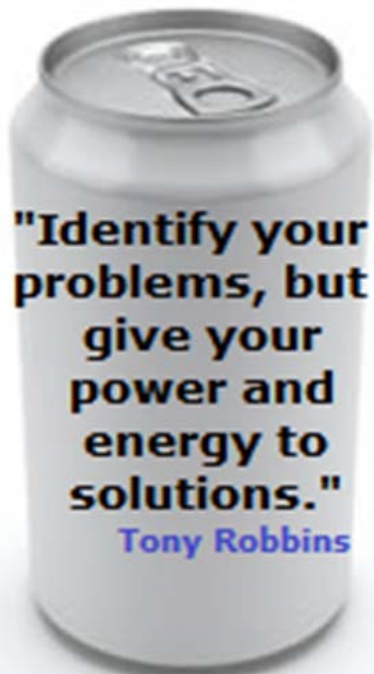
For the Alumni of the ECCB  
Savings and Investments Course

YOUR FINANCES .....YOUR FUTURE

YOUR FINANCIAL  
NEWS

## CAN OPENERS

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Comes in  
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*...towards strengthening the private sector in the Eastern Caribbean*

## Fund Background

- Created & sponsored by the ECCB
- ECEF is the 3<sup>rd</sup> in a series of ECCB initiatives to create a single financial space in the ECCU
  - Eastern Caribbean Home Mortgage Bank (1996)
  - Eastern Caribbean Securities Exchange (2001)
  - ECEF (Oct 2009)
  - Future thrusts: *OECS Distribution & Transport Co (Incorporated in 2008)*  
*Eastern Caribbean Unit Trust (coming soon)*
- ECCB will be a major partner/investor in ECEF: a 25% equity stake
- ECEF will be a holding company for a family of funds; authorised capital is EC\$100m but its initial subscription is expected to be EC\$20m

## Fund's Objectives & Activities

- Fund objectives:
  - create & lead investments in 'flagship' companies & SMEs in sectors with a competitive advantage;
  - establishing linkages with regionally & globally relevant strategic partners; and
  - develop the entrepreneurial standard in the region
- Current activities:
  - fully operational in 2012 with the recent recruitment of the CEO, the Deputy CEO & an administrative professional
  - planning an initial Private Placement Offering of EC\$20m in ordinary shares in the first half of 2012 to capitalize the Fund
  - currently collaborating with several international and regional strategic partners in its efforts to operationalise the ECEF

## Fund's Mission & Goals

- Mission Statement:
 

*To be an innovative, responsive and profitable provider of entrepreneur development services to promote sustainable economic growth through the creation of an internationally competitive OECS private sector.*
- Fund's main goals:
  - to assist with the transformation of the region's private sector by growing and developing enterprises in the region through alternative funding and technical assistance; and
  - to foster the development of money & capital markets in the ECCU

## How will the Fund deliver?

- Provide alternative capital and technical resources to fast growing private companies (existing) & new or start-up SMEs
  - offer private equity/venture capital and quasi-equity funding
  - allied approach: offer advisory management support to client SMEs to build their management capacity & success potential in our investment
- Three (3) Sub-Funds in ECEF capital pool:
  - Growth Fund of EC\$67mn for large cap projects. Minimum financing for such projects is EC\$675,000
  - SME Fund of EC\$27mn for small and medium sized enterprises with good growth and export prospects but which have capital financing and management challenges that can be effectively addressed. Funding is expected to be less than EC\$675,000
  - Technical Assistance Fund of EC\$6-8mn to provide advisory and technical assistance to SMEs on a partial cost recovery basis.

## What is ECEF looking for?

- Opportunities and deals such as:-
  - Acquisition Financing for Build-Ups and Roll-Ups
  - Conservatively Structured Buyouts
  - Pre-IPO Financing
  - Private Family Controlled Enterprises
  - Balance Sheet Restructuring
  - Development/Expansion Capital
  - Privatizations
  - Mid-Stage Capital
- Growing sector players, for example in:-
  - Near Shore Business Processing Office (BPO) & ICT enterprises
  - Music, Entertainment and Lifestyle Tourism enterprises
  - Provision of Onshore Attractions (Tourism & Leisure Markets)
  - Export-oriented & service enterprises: **agri-business & food processing; light manufacturing; hotel, tours & travel; residential & construction engineering; health & wellness; offshore education; financial, management, consultancy services; biotech & pharmaceuticals; etc.**

## Your role?

- To spread the word among potential and interested SMEs and growth companies about:
  - Equity participation (up to 30-35% stake)
    - Fund representation (seat) in the Board of Directors
    - Fund oversight and monitoring of company performance
  - Quasi-equity participation (mezzanine finance)
    - Preferred share ownership, or
    - Preferred share with voting rights, or
    - Revenue Participation Agreement
  - Equity/Loan package (blended approach)
  - Plus: Technical assistance grant
    - Up to EC\$20,000 - 25,000
    - Subject to cost recovery
    - Engagement of expert advice, business mentoring, technical support, financial planning and business plan preparation, etc.

## Pipeline of Investment Opportunities

- Fund management team and Board have identified some 140 prospective candidates for further review and analysis
- Current shortlist of 14-15 SME candidates for possible financing
- Expressions of interest received from the following candidates:
  - Manufacturing company
  - A health and wellness company
  - Garment manufacturing companies
  - Agro-processing companies
  - A distribution and transportation company
  - Information and communications technology companies

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## ECEF at a Glance

The ECEF, as envisioned, will serve as the apex institution within the ECCU for financing the productive sectors in the region. In this regard, the Fund is expected to play a key role in transforming the region by serving as a catalyst to:

- a. create and lead the investment in a number of 'flagship' companies and SMEs in sectors with a competitive advantage;
- b. establishing linkages with regionally and globally relevant strategic partners; and
- c. developing the entrepreneurial standard in the region. In addition, as the first regional fund of its type in the ECCU, the ECEF will also play a key role in the promotion of a private equity/venture capital industry in the region.

## Snippets from the ECCU Consultation on Entrepreneurship

17 April 2012

“You can learn from successful businesses, study and model after them.”

“You cannot innovate if you are not ready to accept failures. If you did not achieve the desired result you try again.”

“Everyone is talented— look for undeveloped strengths.”

“Critical to sustainability is how we respond on a timely basis to the changes that are taking place.”

“You have a seed and you do not nurture, you do not water it you do not provide the proper drainage, it will not thrive; the same thing for the entrepreneur, you have to provide the proper training, proper supporting mechanisms in marketing, business plan development, risk management strategies, financial management.”

Mr Martin Satney, Technical Advisor, Saint Lucia Small Business Association  
Presentation: Nature vs. Nurture - Entrepreneurs Play a Critical Role in the Economy; But are They Born This Way or Can They Be Taught

“The objective of effective entrepreneurship mentoring is to enhance sustainable learning skills...mentoring of entrepreneurs should be on a long term basis not ad-hoc and episodic.”

Professor Delroy Loudon, President of The Anguilla Community College  
Presentation: Nurturing Entrepreneurial Activities Through Exposure, Training and Mentorship

**“Our long-term success cannot be achieved through solo acts. It is for this reason that this regional consultation is timely, necessary and important. Our intellectual know-how resides in our collective knowledge and our success resides in our ability to devise and implement collective approaches.”**

Mrs Ingrid O’Loughlin, Senior Director, ECCB  
Welcome Remarks

“When selling business assets a rational approach should be taken. Some entrepreneurs desperate to secure money end up selling business assets that are important to basic business operations thus accelerating the demise of the business.”

Ms Debra Lewis, Policy Analyst, Ministry of Finance, Montserrat,  
Presentation: Financing Entrepreneurial Activities - Exploring Traditional and Non-Traditional Approaches

“We have to encourage our business people to be creators and not imitators. We also have to be cognisant of the legal implications of copying products that are patented.”

Mr Kent Victor, Business Development Specialist, Grenada Industrial Development Corporation  
Presentation: The Face of the ECCU Entrepreneur - Born Out of Opportunity or Necessity

### SAMPLE PARTICIPANTS COMMENTS AND DISUCSSIONS

“Greater research is required in the area of identifying and documenting the profile of the ECCU entrepreneur to make sure we develop programmes that address the needs and characteristics of our indigenous entrepreneurs by taking the theories on entrepreneurship and putting them into context.”

“We need more than a quick fix. What is needed is long-term sustainable support programmes for entrepreneurs. Most support systems are limited to providing services to start ups but not to growing and mature businesses.”

“Nurturing of entrepreneurship is required at the level of the school from early education through to tertiary education as well as at the home, social and community groups.”

“There is a need for an umbrella entity that pools resources from public and private sector entities to avoid duplication of effort among the various entities.”

“We have to focus on entrepreneurship and ‘intrepreneurship’...These are not just skills for entrepreneurs, but rather skills for success in this new economy regardless of the career choice. These are the knowledge skills needed by all of us to expand our economic possibilities.”

Ms Sybil Welsh, Adviser, ECCB  
Presentation: A Framework for Developing An ECCU Entrepreneurship Campaign



# Do you DARE to Fail?

By. Margaret Heffernan  
(MoneyWatch)

Everyone knows that to succeed business needs to innovate. Those who've thought a little more deeply about the subject also understand that anything new is inherently risky - it might work, it might not. People could love it or hate it. So innovation has to accept and embrace risk-taking and risk-takers.

I've worked with numerous companies who understand this and even go as far as recruiting people with a distinctly high tolerance for risk. They don't want weekend golfers, but avidly search out rock climbers, extreme athletes and

adventure travellers. And sometimes they even hire them.

But then something strange happens. The risk-loving employee suddenly goes quiet and isn't the daring character everyone had imagined. Instead these new minted employees become model citizens. What's happened?

The usual scapegoat is culture. Everyone shakes their heads, talks about how hard that is to change - and then moves on. The harder truth is that innovation doesn't just require risk-taking. It requires failure. But how many companies reward that?

The other day I ran into the

head of a fantastic school that, every year, runs a Failure Week. The point of the exercise is to encourage the students to dare to fail. Every afternoon, students stand up and discuss - proudly - what they tried, how it failed and what they learned from the experience. The bigger the failure, the bigger the learning, the greater the kudos. The point of the exercise is to accustom the students to the idea that failure = learning.

In his book, *ADAPT*, Tim Harford articulates this beautifully, telling story after story about great successes which were the eventual finale to a long series of failures. He argues that we don't want random failure but well-conceived bold experiments designed to elicit clear learning but not guaranteed to solve a problem overnight.

**Every afternoon, students stand up and discuss - proudly - what they tried, how it failed and what they learned from the experience. ...The point of the exercise is to accustom the students to the idea that failure = learning.**

You don't have to look far to find fantastic failures. After all, that's how Twitter started: It emerged after the initial idea - audio blogging - proved too difficult and unappealing. Or look at Change.org, the campaigning platform that galvanized public support for the parents of Trayvon Martin and public anger about pink slime in school meals. It may look an obvious success story now, but only if you ignore the first three-and-a-half years when it wasn't.

"There was a massive amount of failure," Ben Rattray, founder of Change.org, recalled.

You can't celebrate success only - because when you do, it sends a signal: We want no failure here. And no failure, no learning, no real innovation. So hiring risk lovers won't save you because most risk lovers only enjoy calculated risks, not stupid ones. In a success-driven company, they quickly see that daring isn't valued as learning, they go quiet and often go completely.

I'm not surprised companies find this hard to understand and embrace. It's highly counter-intuitive. Why celebrate failure? Unless you can see the learning implicit in it, it feels

wasteful. But the best boss I ever worked for failed all the time. He also won numerous international prizes for his work. Yes, there was a connection between the two. And he was lucky to work in an organization that understood that.

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*Financial Information Month 2012  
Suggestion Card*

In October 2012 the region will celebrate the 11<sup>th</sup> year of hosting Financial Information Month. This year we hope to focus on entrepreneurship and business best practices as avenues to financial success. We welcome your suggestions on a "CATCHY" theme for the month, as well as activities that would make the month INFORMATIVE, MEMORABLE and EDUCATIONAL.

THEME:

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ACTIVITIES:

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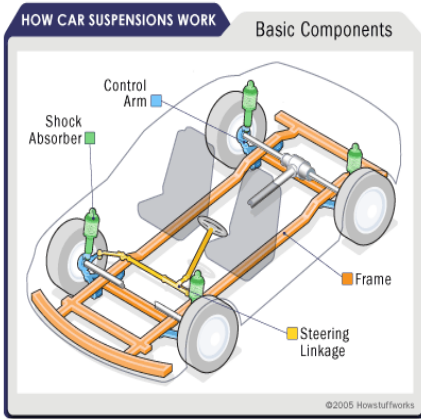


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The theme for Financial Information Month must be catchy, relatable to persons of all ages, be able to generate awareness and motivate people to act.



## A Purpose Driven Financial Plan

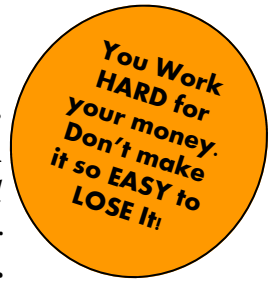
Imagine that your financial plan is like a car. Consider the sturdiness of your financial suspension, *i.e.* the design of your financial plan to provide stability and comfort in your journey towards your financial goals. Can your financial plan absorb financial and economic shocks when the road gets bumpy? Does your plan make allowances for necessary financial reserves so that it can accelerate

when it sees an opportunity on the road ahead and a financial cushion so that it can safely break when it sees a potential risk?

“Most automobile engineers consider the dynamics of a moving car from two perspectives:

1. Ride- a car's ability to smooth out a bumpy road
2. Handling- a car's ability to safely accelerate, brake and corner.”

Similar considerations should apply to your finances. **SO, HOW ARE YOUR FINANCES MOVING ALONG?**



- Adopt a spending plan that is based on spending controls and goals.
- Watch your debt intake.
- If you have to splurge, consider the return on that investment (ROI) on the item to be purchased. How long will the item last? How often will it be used? Is there a long-term benefit?

