

Sustainability of Coalitions of Service Industries (CSIs) in the Caribbean



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1. Executive summary

CSIs in the respective Caribbean countries are at different stages of establishment and development. Their institutional capacities and –impacts differ significantly and are mostly challenged. The respective CSIs are unique with fundamental differences, to the extent that it is not possible to compare one CSI with another.

Not one of the CSIs is financially self-sustainable. Without exception, CSIs are financially challenged in executing their respective mandates and rely heavily on a combination government- and donor funding.

This report reflects the outcome of an assessment of the sustainability of a selection of the CSIs and contains a set of conclusions and recommendations for consideration by the CSIs and the GIZ with a view to enhance their institutional (financial) sustainability.

2. Historic development of CSIs

CSIs in the Caribbean did not come about naturally. The establishment of national service coalitions in each member state forms a key element of a regional services sector development plan, which was agreed upon by CARICOM Heads of Government during 2001.

Shortly after this announcement, the Barbados Coalition of Service Industries (BCSI) was the first to be launched in 2002, followed by the Saint Lucia Coalition of Services Industries (SLCSI) in 2005 and both the Trinidad and Tobago Coalition of Services Industries (TTCSI) and the Jamaica Coalition of Services Industries (JCSI) in 2006.

Following the signing of the Economic Partnership Agreement (EPA) in 2008:

- the Dominica Coalition of Service Industries (DCSI) was launched in 2009;
- the Caribbean Network of Service Coalitions (CNSC) was formalised in 2010 as a network of service coalitions at a regional level that is directed at, amongst other aims:
 - raising awareness on services issues, including joint lobbying and advocacy efforts;
 - generating support at national and regional levels for the coalition movement; and
 - sharing best practices;
- the Antigua and Barbuda Coalition of Service Industries (ABCSI) was launched in 2011; and
- the Grenada Coalition of Service Industries (GCSI) is in the process of being launched.

3. Development challenge

The CSIs are at different stages of coalition establishment and development. Their institutional capacities and –impacts differ significantly and are mostly challenged by, amongst others:

- the lack of appropriate funding mechanisms; and
- insufficient staffing.

4. Methodology

The assessment was conducted by way of case study based analysis of a selection of the six existing service coalitions, in the form of:

- one-on-one interviews during November / December 2011 with the focal persons spearheading the secretariats of the respective service coalitions, and the GIZ Consultant: CSI Support; and
- analysis of the financial position of the respective service coalitions.

5. Conclusions

Based on the analysis the following conclusions concerning the CSIs are made:

- 5.1 The respective CSIs are unique. Not one of the CSIs can be compared with any of the other. There are fundamental differences in:
 - the way they were established, e.g. private versus government initiated;
 - their legal status, stakeholding and reporting structures, e.g. independent NGOs *versus* part of government or parastatal institutions;
 - membership and representation range from small to large corporate service providers and from NGO business associations to formal government representation;
 - funding mechanisms range from wholly government funded to a combination of government / donor / own generated funds;
 - institutional capacity (ranging from institutions with an asset base with leverage potential and well established staff complements to 1-person secretariats without any infrastructure).
- 5.2 Due to their inherent uniquenesses and the needs of their respective constituencies, the respective CSIs will each have a unique future growth path.
- 5.3 The respective CSIs share a common need for collaboration with a view at sharing best practice and jointly raise awareness on services sector issues (lobbying) and accessing donor funding. Hence, confirmation was received for the strengthening of the CNSC and support provided by the GIZ in this respect.
- 5.4 There is an alignment of objectives between the CSIs. Most have modelled their frameworks of objectives on the set of 12 objectives within the four impact areas as directed by the 2001 Regional Services Sector Development Plan, namely:
 - export promotion;
 - capacity building (business development);
 - information and education; and
 - advocacy (influencing policy).
- 5.5 There is a significant difference in respect of institutional maturity amongst the respective CSIs. Whilst some of the CSIs have well researched strategic- and business plans with aligned work programs, staff structures and even annual performance contracts with key stakeholders, other CSIs only have work programs aligned with the reporting procedures and –cycles of donor agencies. Some other CSIs are strategically confused, e.g.:
 - having a work program that is not aligned with a strategic- or business plan due to the absence of such a plan or due to a plan without clear direction;

- having two work programs: one linked to donor funding and the other work program covering the rest of the activities, and both not aligned with a clear strategic plan.
- 5.6 Some of the CSIs are pro-active in creating their own future, whilst others re-actively caught-up in the vicious cycle of:
- having a broad set of objectives;
 - “wait and see” what their annual grant allocation from government is;
 - align the annual work program to fit within the government grant allocation;
 - seek opportunities to top-up the government grant allocation with donor funding; and finally
 - re-align the work program to reflect the donor grant allocation.
- 5.7 Government and donor funding has played, and will also in future play a significant role in the establishment and development of the CSIs. However, there is a difference in mindset amongst the CSIs as to income generation. Mindsets range from entrepreneurially directed at the own generation of funds to complacently relying on government and donor funding for their programs. As membership fees generally finances an insignificant small proportion of their funding requirement, most of the CSIs rely on a combination of:
- government funds for their institutional (overhead) costs; and
 - donor funds, e.g. CARTFUND for financing their programs.

The income profile of CSIs, therefore, range significantly:

- some reflect a 50/50 funding mix between government funding and own generated funding;
- others reflect 100 % funding by government grants; and
- some reflect a mix of own generated funds, government- and donor grants, ranging:
 - from 5 % to 15 % own generated funds;
 - 15 % to 25 % government grant funding; to
 - 70 % donor funding.

Caution must be taken not to interpret the own income generation by CSIs out of context as the own income generation has a significant cost component in the form of a “cost of sale” that is incurred in generating the own income. The cost that is incurred in generating the own income could be as high as $\frac{2}{3}$ of the income generated.

- 5.8 There is a difference in expenditure profiles of the respective CSIs. An analysis of the expenditure profiles concluded that no specific trends in expenditure patterns amongst the service coalitions could be identified. This could be attributed to:
- the different stages of establishment and development of the respective CSIs as the expenditure priorities differs between e.g. a small emerging CSIs with no institutional infrastructure and established CSIs with an asset base that needs maintenance;

- the influence of the funding sources of the respective CSIs, e.g. the mix of government *versus* donor *versus* own generated funds. The saying goes: “who pays the bill, calls the tune”. Therefore, the priority frameworks of the respective governmental and donor funding sources may have an influence on the expenditure programs of the respective CSIs; and
- the existence of hidden costs, which are not accounted for in the financial records of some of the CSIs, e.g. due to government support during the establishment of some of the CSIs some cost items (such as salaries of selected positions, and selected office costs) are covered by designated government departments rather than by the CSIs themselves.

However, the following general trend in expenditure profiles could be observed:

- Cost of Sales of income generation 10 % to 30 % of total expenditure;
- Salaries, wages and staff costs: 30 % to 45 % of total expenditure;
- Traveling and accommodation: 10 % to 20 % of total expenditure;
- Office expenses: 10 % to 20 % of total expenditure;
- Marketing and communication: 3 % to 5 % of total expenditure;
- and
- All other expenditure items combined: less than 5 % of total expenditure.

5.9 Due to differences in development status, relationships with key stakeholders and present financial frameworks, the respective CSIs have a diverse set of needs in respect of technical assistance toward becoming more sustainable.

5.10 There are opportunities for the respective CSIs to work themselves over time towards a higher levels of sustainability. There are examples of typical expenditure items that can be turned-around into becoming income generating ventures, e.g. by selling advertisement space in a magazine / newsletter it is possible to turn-around the magazine / newsletter from a loss making expense item to an income generating and profit making service to CSI members.

6. Income Generating Opportunities

With a view to work their way towards becoming more sustainable, CSIs may consider the following set of potential income generating ventures:

6.1 Offering Continued Professional Development (CPD) opportunities to members. Some professions are statutory regulated (e.g. engineering) with mandatory CPD. Members of these professions are required to accumulate a specified number of CPD credits over a specified period by attending seminars and further. Failure to accumulate these credits may lead to de-registration from a profession. The opportunity for CSIs in this respect is twofold:

- firstly, where member associations are not capacitated to arrange CPD events themselves, to generate income through events management of e.g. CPD seminars and further training; and
- secondly to administer CPD on behalf of the member associations by maintaining a data base on the accumulation of credits by the professional members of member associations.

- 6.2 Offering Secretariat Services at a fee to member associations who are not capacitated with their own secretariats. Income generation could be in the form of offering any selection of the following services to member associations:
- maintaining of a membership data base;
 - debtors' management on behalf of member associations, including invoicing application and annual membership fees and debtor collections;
 - hosting communication services between members associations and their members by e.g. publishing their (hard copy and / or electronic) news-letters to their members; and
 - offering secretarial services in the form of taking minutes during the committee meetings of member associations.
- 6.3 Offering Virtual Office Facilities at a fee to members associations on the one hand, and on the other hand also to private service providers and potential (inward) investors. Income generation could be in any combination of the following menu of services:
- a physical business address;
 - a postal address (collecting and keeping post for collection);
 - messaging services (telephonic and e-messages);
 - office rental on fractional usage basis;
 - board room rental on a fractional usage basis;
 - e-services, including:
 - website hosting (renting pages on the service coalition website);
 - e-mail addresses;
 - sending and receiving of faxes;
 - photocopying and scanning of documents;
 - hosting teleconferences;
 - sending bulk e-mail and sms for virtual office clients; and
 - documentation services, including typing and filing of documentation.
- 6.4 Generating income through Information and Advertising Services, including:
- selling advertising space in the CSI newsletters and magazines that are disseminated to members;
 - selling advertisement space to private service providers and inward investors on the CSI website;
 - hosting on the CSI website a “yellow pages” of private service providers, for which normal listing may be free but display and bold listing are charged for by the service coalition. This would imply the CSI maintains a data base of private service providers and broadly communicate the existence of the facility with a view to attract viewing traffic.
- 6.5 Generating income through hosting Events and Awards such as quarterly business break-fasts, a National Services Week and annual awards such as an annual National Service Excellence Award and Service Innovation of the Year Award, during which:
- main (name) sponsorships are offered to major private corporates that would increase their visibility broadly; and

- worksession sponsorships (linked with individual worksessions of the events) are offered to smaller private companies that would also increase their market visibility.
- 6.6 Generating income through offering Information and Training to members of member organisations, e.g. information sessions on export marketing opportunities and skills training programs on export finance and cash flow management.
- 6.7 Generating income through offering Data and Certification Services to private service providers and to their governments, including:
- statistics (data services) on service sector economic activity; and
 - certification of service providers.

Most people who are talking about the services sector in the Caribbean do not know what they are talking about, e.g.

- how big is the sector?
- how many people are employed in the sector?
- what is the value adding by the sector?
- how is the sector functionally linked with other sectors such as tourism and manufacturing, etc.

There is general acknowledgement of insufficient statistics on the economic activity (e.g. employment, value adding and forward- and backward revenue streams) of the services sector industry in the Caribbean. The collection, maintenance and dissemination of statistics on the services sector is a public sector function that is grossly neglected by most governments within the region. As a means of justifying the annual government grants, but also as a service to private service sector companies and inward investors, CSIs may consider collecting, maintaining and disseminating (selling) the data on a commercially viable basis.

Administrative procedures exist for the verification of skills certificates issued from other member states. However, service providers are still travelling (moving within the region) under the work permit regime. Against the background of a lack of a framework for facilitating the movement of service providers within the region and within the context of the EPA, systems for the certification and issuing of certificates for service providers operating across borders may be required in some of the countries with a view to facilitate a free movement of services.

CSIs may exploit this income generating opportunity by taking on an administrative function regarding the registration and certification of service providers. For this, a procedure to evaluate the competency and verify the qualifications of applicant service providers will have to be developed, and a service provider certificate framework will have to be established, statutory approved and implemented.

- 6.8 An income generating opportunity that could be pursued in partnership with local commercial banks in the respective countries is the introduction of a Service Excellence branded Credit Card for qualifying private businesses in the services sector.

Examples exist internationally where a (small) percentage of the money flow generated through such credit card transactions is paid by the participating bank to the partnering institution (CSI).

- 6.9 Finally, Business Representation Services offered to inward investors and –traders may present an income generating opportunity to some CSIs. In this case the service offering could be a combination of a virtual office facility and the physical representation of the inward investors or –trader in the host country up to the point where the inward investors or –trader has gained sufficient momentum to warrant own presence in the host country. However, there may be legal issues associated with acting in the capacity as an agent or a representative for someone, which will have to be entertained in the further consideration of this opportunity.

The above list is not intended to be all inclusive, but is a mere attempt at sensing CSIs to some of the opportunities that may be exploited.

7. Recommendations

With a view to enhancing the sustainability of CSIs, the following proposals are made for consideration:

- 7.1 On a regional basis at CNSC level, technical assistance be provided by the GIZ to further investigate the feasibility of income generating opportunities that may be pursued more effectively on a collective basis by the CSIs, e.g. further elaboration and investigation of the:
- 7.1.1 data (statistics) services; and
 - 7.1.2 service sector certification services.
- 7.2 Technical assistance be provided by the GIZ to individual CSIs towards enhancing their sustainability according to their respective needs and institutional paradigms, which technical assistance could take the form of any one, or combination of, the following:
- 7.2.1 Strategy reviews by way of establishing the expectations key stakeholders (e.g. members, government, donors) may have of a particular CSI, aligning such expectations with the institutional realities of the CSI, and translating these into a corporate strategy for the CSI towards becoming more sustainable;
 - 7.2.2 Product development by way of:
 - identifying and conceptualising a portfolio of income generating products and services that have a strategic fit with the strategy and unique circumstances of a particular CSI;
 - doing costing and pricing of the identified package of income generating services;
 - developing implementation frameworks and cash flow scenarios; and
 - conducting a financial feasibility (cost-benefit) analysis on each service;
 - 7.2.3 Business Plan reviews by way of integrating and aligning the identified CSI strategy (see 7.2.1 above) and income generating service offerings (see 7.2.2

above) with government- and donor funded work plans and financial resourcing; and

- 7.2.4 Virtual on-line mentoring (e-mail, skype or e-workspace based) to support the implementation of the identified CSI strategy, portfolio of income generating services and the Business plan of a particular CSI.

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