“Towards an agenda of endogenous development through entrepreneurship and SME development – the Jamaican experience”
April 29, 2005

Background/General Business Environment
Macro view

POSITIVE
• Stable government
• Geographically strategic position
• Extensive infrastructure (including telecoms)
• Diversified and developing capital market
• No exchange controls
• Investment and export incentives

NEGATIVE
• Rising levels of unemployment
• High interest rates
• High crime rates
• Increased foreign competition
• Relatively stable (although sliding) exchange rate
• Trade deficit
• Growing internal debt

Global Trends 2003: LAC
FDI recovery expected

• 1.5% Latin America GDP growth in 2003, 3.5% proj for 2004 (ECLAC)
• Latin America and Caribbean FDI decline slows to 3.3% in 2003 vs 22% in 2002; (UNCTAD, ECLAC)
• FDI inward stock continues to grow (US$8.2tr in 2003)
Jamaica leading CARICOM FDI market

Jamaica’s Capital Stock Increasing

Source: IMF, International Financial Statistics Yearbook
Jamaica’s Competitiveness vs. select Economies


The case for SME development
The case for SME development

• Unit of economic development is the firm not the nation
• Healthy clusters is the hallmark of successful economies
• Sustainable development through the emergence and strengthening of internationally competitive clusters
SME development high on Government’s agenda

- Macroeconomic Considerations
  - Reduce the debt,
  - Increase Government Transparency (Legs and Regs initiative)
  - Improve the quality of physical and economic infrastructure
  - Implement an efficient energy policy

- National Industrial Policy

Jamaica’s Investment Promotion Strategy
Investment & Growth Strategy

Wealth & Job Creation

- Land & Env.
- Transportation
- Energy Policy
- Labor market

INVESTMENT

- Trade policy
- Technology
- HRD Policy
- Finance

Investment promotion

Source: The National Industrial Policy

Therefore Investment should assist in:

- Transformation towards Knowledge economy;
- Human Development;
- Job Creation;
- Technology Transfer; and
- Export Development
**Competitive Advantage Matrix**

<table>
<thead>
<tr>
<th>Services</th>
<th>North America</th>
<th>CLA</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>Call centres; Software development; Business Processing Outsourcing</td>
<td></td>
<td>Business Processing Outsourcing</td>
</tr>
<tr>
<td>Man'g</td>
<td>Plastics; Recycled products; Non-metallic minerals Agroprocessing</td>
<td>Agroprocessing</td>
<td>Non-metallic minerals; Agroprocessing</td>
</tr>
<tr>
<td>Services</td>
<td>Professional services Financial services</td>
<td>Professional services</td>
<td>Professional services Financial services</td>
</tr>
<tr>
<td>Tourism</td>
<td>Time share; Hotel chains; Heritage tourism</td>
<td></td>
<td>Eco tourism; Time share; All inclusive chains</td>
</tr>
<tr>
<td>Film/Music</td>
<td>Film shoots, documentaries, MTV</td>
<td></td>
<td>Music distribution, publishing</td>
</tr>
</tbody>
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**Competitiveness Rankings: Jamaica overachieves**

- Jamaica improved FDI performance index ranking from 25th in 1990, to 23rd in 2002 to 20th in 2003;

- However, FDI potential Index continues to decline from 62nd in 1990 to 79th in 2003;

- Jamaica has fallen out of the top 20 business destinations based on 2005 Doing business report based on time to register property, and enforce contracts;
STRATEGIES FOR DELIVERING INVESTMENT MANDATE

- Encourage expansion of existing operations through ongoing after care strategy;
- Enhance inter agency networking to deliver faster facilitation times
- Networking through Ja O/sea and existing investors
- Focus on export related industries
- Deepening FDI through a deliberate linkage strategy

Who’s here? …and then some
Existing Programmes/Initiatives: Focus on Clusters

Jamaica Cluster Competitiveness Programme

- Funded by DFID, USAID, GOJ
- US$1.2 million
- 2 year pilot programme
- Objectives
  - Increased competitiveness of firms in strategic clusters
- Supported by:
  - Government
  - Private Sector
  - Academia
Jamaica Cluster Competitiveness Programme

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Agribusiness</th>
<th>Tourism</th>
<th>Shipping</th>
<th>Entertainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willingness to embrace new ideas w/supporting resources</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Potential to be internationally competitive</td>
<td>7</td>
<td>9</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Employment potential and GDP contribution</td>
<td>8</td>
<td>9</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Mass (no#) of qualified firms</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Potential to motivate other clusters</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Macro barriers to success</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total Score</td>
<td>49</td>
<td>47</td>
<td>33</td>
<td>30</td>
</tr>
</tbody>
</table>

Results
- Over 150 firms actively participated
- Mainly small & medium enterprises
- Joint purchasing programme in agribusiness
- International marketing blitz (tourism)
- New distribution relationships formed in entertainment cluster

Next Steps
- Currently seeking funding for follow-up programme
Trade Development Project

- Funded through EU (8th EDF)
- Euro 6 million
- 4 year programme
- Successor to Target Europe programme
- Objectives:
  - Trade development
  - Increased competitiveness of private sector

Trade Development Project

- Results
  - Over 60 firms from various industries
  - Increased foreign exchange earnings
  - Increased employment
  - Improved business practices
  - Creation of new market opportunities
Private Sector Development Programme (PSDP)

- Funded through EU, GOJ
- Euro 20 million
- 4 year programme
- Objectives
  - Poverty alleviation
  - Socio-economic growth
  - Increased Competitiveness of Private Sector
  - Cluster and Sector initiatives
  - Market driven

Private Sector Development Programme (PSDP)

- PSO Empowerment
- Enhance Enterprise Competitiveness
- Improved SME Access to Corporate Finance
PROINVEST

• ACP programme funded by EU (9th EDF)
• Euro 110 million (all ACP)
• 7 year programme
• Currently utilising Partnership Meeting model (EU – Caribbean)
  – Target sectors in line with NIP (Tourism, ICT, Professional Services, Creative Industries, etc)
  – Partnership meeting in Tourism (October, 2004 and May, 2005)
  – Partnership meeting in ICT/Professional Services (October, 2005)

CDE

• ACP programme funded by EU
• JAMPRO – Decentralised Management Unit
• Primary sectors (Caribbean)
  – Agribusiness
  – Non-metallic minerals
  – Tourism
  – Manufacturing
• Results
  – Improved business performance (international standards)
  – Increased sales and market share
Other initiatives (specialised)

- ICT SME programme
  - Study funded by Commonwealth Secretariat
  - Funding for implementation to be determined
- Financing
  - EIB
  - Small Business loan programmes
  - Fundingoasis.com

Where are the gaps?
## Major Weaknesses in business environment: Then and Now

### 1995
- Urban Traffic congestion
- Labor market inefficiency;
- High red tape
- Inadequate road network
- Inefficient taxations systems;
- Poor utilities & public transportation
- Personal Security

### 2003
- Urban Congestion:
- Inefficient taxation;
- Personal security;
- Limited traffic congestion

## Future Emphasis
Proposed initiatives

- Capacity Building/enabling environment
  - JBDC
  - Other PSOs
  - Business Facilitation Services
  - Financing Institutions
- Community/Local Development programmes
  - Parish Development programmes being developed
  - Challenges
    - Technical expertise/assistance
- National Linkages Programme
  - Modeled after UNCTAD Empretec Programme
  - To focus on NIP sectors (Tourism, Bauxite, Manufacturing)
  - Pilot programme in tourism being developed
  - Value Chain analysis being considered
  - Challenges

Proposed Initiatives

- Sustainable Development in Creative Industries
  - Improve product competitiveness
  - Establish regional radio and TV station with Satellite asset
  - Upgrade/Develop New Venues
  - Improve institutional support
  - Copyright clearing house to clean up improperly developed catalogues
  - Increase access to broadband tech via partnerships with C&W
  - Jamaica’s resurgence as a prime Motion Picture Location
  - Greater Linkages with Local Industry
  - Greater revenue retention locally
History of Investment Reform

- 1980’s- Trade liberalization (tariff reduction, quota/import license removals);
- Early 1990’s- Investment Liberalisation (no screening, repeal of exchange control, etc)
- Tax Admin Reform Programme (TAXARP);
- Public Sector Modernization Programme (1998)
- E-Government Initiatives (USAID, IADB)
- Legs & Regs Project etc

Existing Gaps in Reform Agenda

- Overhauling of tax system (reviewing CIT, Double taxation etc)
- Greater transparency in Development/Planning approvals;
- Coordinated Change Management across Public sector;
- Legal Code/Law required to define treatment standards which vary across BITs
Reform targets via CRIL

By 2007:
• 30% reduction in business facilitation delays;
• 25% reduction in instances of double taxation;
• Jamaica becoming #1 Caribbean Rim FDI recipient;

Proposed Reform projects

• Comprehensive Tax review (Taxation Review Committee)

• Business Facilitation programme;

• Cluster/Linkage Development Programme;
Action Plan

- Continue to enhance enabling environment
- Focus on clusters
- Promote collaboration
  - Within country (PPP)
  - Regionally
- Continue to look for opportunities for international partnerships