



**MINISTRY OF INDUSTRY,
INVESTMENT & COMMERCE**

MSME & ENTREPRENEURSHIP POLICY

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LIST OF ACRONYMS

AFI:	Approved Financial Institution
BDS:	Business Development Services
BOJ:	Bank of Jamaica
CAC	Consumer Affairs Commission
CAP	Career Advancement Programme
CARICOM	Caribbean Community
CBO:	Community Based Organization
COJ:	Companies Office of Jamaica
CRNM	Caribbean Regional Negotiating Machinery
DBJ:	Development Bank of Jamaica
EVAO	Estimated Value of Agricultural Operations
EXIM Bank:	Export and Import Bank of Jamaica
EPC:	Entrepreneurial Production Centre
FBO:	Faith-Based Organization
GCT	General Consumption Tax
GDP:	Gross Domestic Product
GOJ:	Government of Jamaica
HEART/NTA:	Human Employment and Resource Training/National Training Agency
ICT:	Information and Communication Technology
IDB:	Inter-American Development Bank
JAMBIC:	Jamaica Business Information Centre
JAMCO:	Jamaica Marketing Company
JAMFA:	Jamaica Micro-Finance Association
JAMPRO:	Jamaica Promotions Corporation
JANAAC	Jamaica National Agency for Accreditation
JBA:	Jamaica Bankers Association
JBDC:	Jamaica Business Development Corporation
JBOS:	Jamaica Business Opportunity Services
JCC:	Jamaica Chamber of Commerce
JEA:	Jamaica Exporters' Association
JEF:	Jamaica Employers' Federation
JIPO:	Jamaica Intellectual Property Office
JMA:	Jamaica Manufacturers' Association
JSE	Jamaica Stock Exchange
JTP:	Jamaica Trade Point
MDA:	Ministries, Departments and Agencies
ME:	Micro Enterprises
MFAFT:	Ministry of Foreign Affairs and Foreign Trade
MIIC:	Ministry of Industry, Investment and Commerce
MOE:	Ministry of Education
MOFPS	Ministry of Finance and the Public Service
MSME:	Micro, Small and Medium-Sized Enterprise
MYSC:	Ministry of Youth, Sports and Culture
NHT	National Housing Trust
NIS	National Insurance Scheme
OECD:	Organization of Economic Cooperation and Development
PIOJ:	Planning Institute of Jamaica
PSOJ:	Private Sector Organization of Jamaica
SBAJ:	Small Business Association of Jamaica
SDC:	Social Development Commission
SME:	Small and Medium Enterprises
SRC:	Scientific Research Council
SSI	Small Scale Industries
STATIN:	Statistical Institute of Jamaica
TAJ:	Tax Administration Jamaica
UTECH:	University of Technology

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The Ministry recognizes the need for a policy framework governing Micro, Small and Medium-Sized Enterprises and Entrepreneurship, so that pointed, strategic and synergistic support can be provided. Global best practices have indicated that policy interventions in these areas can transform fledgling economies.

This policy framework acts as a catalyst for the implementation of the myriad of strategies contained herein. The successful execution of these strategies will require the fulsome and active participation of the above stakeholders, with the concomitant funding put in place, so that the fullest potentials of local businesses can be unlocked.

EXECUTIVE SUMMARY

Micro, Small and Medium-Sized Enterprises (MSMEs) are catalysts for economic development and growth in any state, particularly Small Island Developing States (SIDS) with major employment and income distribution challenges. MSMEs contribute to Gross Domestic Product (GDP) and the creation of “decent jobs”¹. However, they frequently operate in mere survival mode, and are unable to transition into high-performance, innovative organizations which accumulate wealth.

The major challenges facing MSMEs in Jamaica are:

- Un-competitiveness
- Lack of access to credit
- High unit costs of production
- Poor quality products
- Inconsistency in the supply of products
- Low levels of technology and technical skills
- Weak business and management skills
- Financial market’s perceived risk of MSEs and lack of appropriate collateral.

In an effort to unlock the fullest potentials of MSMEs so that Jamaica can achieve the goals outlined in Vision 2030 Jamaica: National Development Plan, it is imperative that a culture of entrepreneurship is inculcated among MSMEs. It is acknowledged that economic transformation revolves around innovation, labour productivity, the existence of high-growth enterprises which aggressively seek to improve and introduce new ways of doing business, and utilize advanced technology to achieve competitive and comparative advantages.

A review of international best practices has seen governments crafting and implementing strategic policies, projects and programmes, with concomitant legislation, to facilitate the development and growth of the MSME sector, while simultaneously strengthening the entrepreneurial spirit of businesses by providing sustainable capacity building programmes, and business support services.

Jamaica is currently recovering from the impact of the global recession which negatively impacted businesses. The development of a National MSME and Entrepreneurship Policy is therefore timely, as this framework can enable the Jamaican economy to achieve sustainable economic development and growth, and competitiveness. The existence of a policy framework facilitates the adoption of a strategic, harmonized and targeted approach to providing support to MSMEs, rather than the continuation of an ad hoc and incoherent approach.

The policy development process encompassed research, the convening of a workshop to arrive at a consensus on a singular definition for an MSME, including a series of vertical and horizontal consultations involving key Ministries and Agencies, private sector interests, and lobby groups/Associations. The consultation process involved outreach in the following parishes:

- Kingston and St. Andrew
- Manchester
- St. Ann
- St. James

Research and consultations have informed the Policy Issues, Objectives and Strategies embedded in the document. Policy prescriptions are pitched towards the following thematic areas:

- Informality
- Improving the ease of doing business
- Trade, Foreign Relations and Investment Promotion
- Access to Finance
- Market Access
- Business Support Services
- Training and Development
- Promotion of Entrepreneurship
- Mentorship Programme
- Innovation and Productivity – The role of Science and Technology and Research and Development
- Equality

- Energy Efficiency and Security
- Environmental Protection
- Taxation and Incentives

These represent the central pillars of the policy framework, and have been endorsed by the various stakeholders as the priority issues which the national policy must embrace.

The implementation of the key strategies outlined in this policy will be implemented through the use of a Strategic Plan, with clear performance indicators and targets guiding the implementation process. The Ministry of Industry, Investment and Commerce (MIIC) will oversee the implementation process, with the assistance of key partners in the public and private sectors, academia, and lobby groups representing MSMEs. The timely achievement of the myriad of goals will be done through the adoption of a rigid and structured monitoring and evaluation process.

The major challenge faced during the development of this policy was the paucity of data on MSMEs. The main sources of data on Jamaican MSMEs used for this policy were the *Micro and Small Enterprise Survey of Jamaica* (1996) conducted by Carmen McFarlane, the Inter-American Development Bank (IDB) study on *The Informal Sector in Jamaica* (2004) undertaken by the Group of Analysis for Development (GRADE), and Dr. David Tennant's work, *MSME Sector - Phases I and II: Suggestions for Initiatives to be included in a National Policy Framework for the Jamaican Micro, Small and Medium Enterprise Sector* (2008/2009).

Moving forward, a key strategy to be adopted is building the capacity of the Statistical Institute of Jamaica (STATIN) to facilitate ongoing collection and publication of data on MSMEs. However, this will require collaboration with MIIC, the MSME Alliance, and the Small Business Association of Jamaica (SBAJ), in partnership with the academic community and the private sector. Another key strategy that MIIC has identified is making provision for the recording of information relating to MSMEs, utilizing the "super form" for the registration of businesses at the Companies Office of Jamaica (COJ). This will allow for the creation of a database on the three (3) distinct categories - Micro, Small and Medium-Sized Enterprises.

CHAPTER 1

INTRODUCTION

Over the years, the absence of a policy framework governing MSMEs has made it difficult to determine the myriad of challenges confronting them, and the concomitant policy prescriptions to be crafted and applied to remedy the various problems identified.

Notwithstanding the absence of a national policy, the Government of Jamaica (GOJ), through MIIC, its related portfolio Agencies, other public bodies, including the private sector, have implemented various projects and programmes (ranging from financing to capacity building) to improve the plight of MSMEs. Adoption and implementation of a national policy is therefore critical to ensuring the delivery of properly coordinated, coherent, relevant and targeted support to MSMEs, rather than the persistence of a fragmented approach.

There are various challenges faced by MSMEs – not only locally or regionally, but globally. These are outlined belowⁱⁱ:

- Barriers to entry, and non-competitive behaviour in markets where small enterprises are potentially competitive
- Expensive and time consuming regulatory requirements, such as licensing and registration
- Official and unofficial levies that discourage small enterprises from growing and becoming formal
- Laws governing the protection of business and intellectual property, and the use of property as collateral
- Tax structures that distort incentives and discriminate against small firms
- Labour market rigidities that make hiring and firing workers difficult and expensive, and limit the mobility and flexibility of the labour force

- Limited infrastructure and institutions that open access to finance, information and markets, particularly transportation, market facilities and communications infrastructure

The development of a National MSME and Entrepreneurship Policy is a strategic move by the MIIC to address the challenges faced by MSMEs, as they play a fundamental role in economic development, and represent the main source of new business start-up, with the potential to contribute significantly to growth and innovation. However, for MSMEs to achieve their maximum potentials, their entrepreneurial talents will have to be harnessed, with emphasis on innovation, productivity, production of quality products and services, and amassing wealth. The achievement of this key goal necessitates a partnership among key stakeholders with the public and private sectors, the key Associations representing MSMEs, including academia.

Vision 2030 Jamaica recognizes the importance of entrepreneurship in economic and social advancement, including the role of key actors:

“Countries can achieve significant progress by improving their use of natural, man-made, financial and institutional capital.....Ultimately, long-term increases in productivity and prosperity can only be achieved by innovation. Innovation depends on complex interaction between the highest forms of capital – the knowledge, human and cultural assets of a nation. An innovative culture fosters: collaboration between the public sector, private sector and universities; high-quality research and development; protection of intellectual property; and promotion of entrepreneurship.”ⁱⁱⁱ

MSMEs are a high priority on the national agenda as the sector can become the catalyst for transforming the economy to achieve the vision articulated in the Vision 2030 - National Development Plan: *“Jamaica, the place of choice to live, work, raise families and do business.”*

Small businesses are the backbone of most economies and research shows that they account for over ninety percent (90%) of all industries and fifty percent (50%) of Gross Domestic Product (GDP) worldwide. It is widely accepted that the small business sector has the potential to create employment, reduce income disparity and contribute to economic growth and development. The

sector also has the ability to create more employment than large firms as MSMEs can substitute labour for capital. Very importantly, MSMEs are also considered an incubator for the development of entrepreneurial skills across all economic sectors.

The GOJ, through the MIIC and its agencies, remains committed to providing support for MSMEs. This will be done by implementing programmes which facilitate entrepreneurial development through financial and non-financial support. The drive to secure resources, through multilateral and bilateral agencies will be continued as the GOJ seeks to facilitate capacity building in credit institutions and businesses in an effort to improve efficiency and productivity throughout the sector.

In order for Jamaica to achieve the goals outlined in the Vision 2030 Strategic Framework, key strategies will be adopted to inculcate a culture of entrepreneurship within MSMEs. Jamaicans are considered amongst the most creative people in the world. However, the creative energies of our people have not redounded to a plethora of high-growth enterprises and economic progression. In addition to creativity, MSMEs must be innovative, consistently produce high quality goods which meet the demands of consumers, take greater risks, and constantly strive to create and maintain wealth. Moving forward, a paradigm shift is required to enable Jamaica to achieve its fullest potentials, where entrepreneurship becomes a central feature of businesses as well as the education system. It is critical that a wide-cross section of the society is involved in this revolutionary process – youths (including unattached youths), all genders and age groups, all members of the social strata, et al.

As the Global Entrepreneurship Report (2010) succinctly puts it:

“An economy’s entrepreneurial capacity requires individuals with the ability and motivation to start businesses, and requires positive societal perceptions about entrepreneurship. Entrepreneurship should include participation from all groups in society, including women, a range of age groups and education levels and disadvantaged populations.....high-growth entrepreneurship is a key contributor to new employment in an economy, and national competitiveness depends on innovative and cross-border entrepreneurial ventures.

This policy document seeks to provide an agreed platform for the development of strategies designed to create a viable and competitive MSME sector, where all MSMEs are entrepreneurial by nature. All empirical studies, nationally, regionally and internationally, indicate that an enhanced MSME sector contribute to economic development and poverty alleviation by providing greater access to income earning and wealth creation opportunities.

Each policy position is structured in the following manner:

- Policy Element
- Policy Issues
- Policy Objectives
- Policy Strategies

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CHAPTER 2

DEFINITIONS AND CONCEPTS

Micro, Small and Medium-Sized Enterprises

There is no singular global definition for micro, small and medium-sized enterprises, given divergences in economic structures and stages of development. Classification of these enterprises is usually for the purpose of extending credit, and varies amongst countries and institutions. Notwithstanding, individual countries have developed their own definitions in an effort to craft effective and appropriate policies and programmes for MSMEs.

The most commonly used criteria for defining MSMEs are:

- Number of employees
- Total Sales/Turnover
- Total Assets

The World Bank defines micro-enterprises as those with total employees not exceeding ten (10), total sales amounting to not more than US\$100,000, and total assets capped at US\$100,000. Contrastingly, small enterprises are those with a maximum of 50 employees, total assets of up to US\$3 million, and total sales of not more than US\$3 million. Medium-sized enterprises have a total staff complement of 300 or less, up to US\$15 million in sales, and also a maximum of US\$15 million for total assets. See Table 1 below^{iv}:

FIRM SIZE	NO. OF EMPLOYEES	TOTAL SALES/TURNOVER	TOTAL ASSETS
Micro	≤10	≤ US\$100,000	≤ US\$100,000
Small	≤50	≤ US\$3 million	≤ US\$3 million
Medium-sized	≤ 300	≤ US\$15 million	≤ US\$15 million

Table 1: World Bank's MSME Definition

The European Union (EU) defines MSMEs as firms with 1 to 249 (maximum for medium-sized businesses) employees, with up to Euro 50 million in turnover, and a maximum of Euro 43 million in balance sheet total. The details are elucidated below in Table 2:

FIRM SIZE	NO. OF EMPLOYEES	TOTAL SALES/TURNOVER	BALANCE SHEET TOTAL
Micro	< 10	≤ € 2 million	≤ € 2 million
Small	< 50	≤ € 10 million	≤ € 10 million
Medium-sized	< 250	≤ € 50 million	≤ € 43 million

Table 2: European Union's definition of MSME

Although there is generally a size threshold in the definitions of the different enterprises, these thresholds may also vary across sectors and different combinations of these criteria are sometimes used. For example, in Australia, employment is used as a criterion for identifying size in all sectors except for agriculture which is measured by the estimated value of agricultural operations (EVAO).⁹

The United States of America (USA) uses the number of employees to define small businesses in most sectors except for the non-goods producing sectors where annual receipts are used as the measurement criteria.

Japan uses a mixture of criteria, including workforce, capital and total investment, but the threshold for these vary across sectors - for example, an MSME could have an upper bound of 300 persons and 300 million Yen in manufacturing, construction and transportation; 100 persons and 100 million Yen in wholesale and trade; 100 persons and 50 million Yen in services; and 50 persons and 50 million Yen in retail.

Similarly, South Africa uses a mixture of criteria with wide variations across sectors - for example, micro-enterprises are classified as having less than five (5) employees, an annual turnover of less than R0.15million and total gross assets of less than R0.10 million (this holds across all economic sectors). On the other hand, small enterprises are defined as having less than

50 employees across all sectors and the value of total annual turnover must be less than R5million for small businesses in social and personal services, construction, et al., less than R2 million for agriculture, less than R7.50 million for mining and quarrying, and less than R10 million for the other sectors.^{vi}

Several MSME definitions co-existed in Jamaica. However, in order to craft a singular national definition, MIIC partnered with the Mona School of Business (MSB) to hold a one (1) day workshop. Participants ranged from both the public and private sectors, including the respective Associations representing MSMEs (MSME Alliance and SBAJ). At the end of the exercise, it was agreed that a MSMEs should be defined as follows:

FIRM SIZE	NO. OF EMPLOYEES	TOTAL SALES/TURNOVER
Micro	≤ 5	≤J\$10 million
Small	6 – 20	> \$10 million ≤ J\$50 million
Medium-sized	21 – 50	> J\$50 million ≤J\$150 million

Table 3: Jamaica’s MSME Definition

Previously, several definitions for MSMEs co-existed in Jamaica, with different criteria used for measurement. The Private Sector Organization of Jamaica (PSOJ) used total sales as the criterion for defining MSMEs, the SBAJ used total sales and the number of employees, the Planning Institute of Jamaica (PIOJ) used total sales and total assets, and MIIC used number of employees and total sales.

The most commonly used criteria by countries and international organizations are number of employees and total sales. However, there are significant variations in the thresholds used for the different measurement criteria. This further serves to highlight the difficulty that exists in using comparable data and information on MSMEs across countries and regions.

While this policy focuses mainly on MSMEs, it is important that two (2) additional categories of businesses are included in the equation - “Start-ups” and “Pre-Micro” Enterprises. These are defined below:

Entrepreneurship

According to classical paradigm, the development of an economy impinges on two (2) critical factors of production, namely, labour and capital (inclusive of advanced technology). Against the background of the rise of the four (4) “Asian Tigers” – Singapore, Taiwan, Hong Kong and South Korea, including a widening of the development gap between the developed/industrialized nations and less developed countries (LDCs), a new school of thought emerged in the 1980s on the nature of economic development and the factors influencing it. This new paradigm posited that, in addition to the above two (2) classical production factors, entrepreneurship should be added to the equation. In contemporary society, the simultaneous development of entrepreneurship and human skills has become two (2) catalysts for a country achieving economic and social advancement.

Bygrave and Hofer (1991) posit that entrepreneurship researchers are hampered by the lack of a common conceptual framework for entrepreneurship. The lack of consensus on the meaning of this term makes it imperative that researchers provide a clear statement of their meaning when they use it. Bygrave and Hofer offer such a meaning by considering the process of entrepreneurship rather than defining the term "entrepreneur." In their work, the entrepreneurial process "involves all the functions, activities, and action associated with the perceiving of opportunities and the creation of organizations to pursue them."^{vii}

Austrian economist Joseph Schumpeter’s definition of entrepreneurship places an emphasis on innovation, such as:

- New products
- New production methods
- New markets
- New forms of organization

He maintains the view that the entrepreneur strives to create wealth by combining inputs innovatively to generate value to consumers.

Entrepreneurial spirit is characterized by innovation and risk-taking, and an essential component of a nation's ability to succeed in an ever changing and more competitive global marketplace.^{viii} Entrepreneurship includes the ability to affect the outcome and therefore the risk taken is calculated and weighted against its potential benefits and is therefore smaller than perceived by outsiders.

Disparity in Characteristics

The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. Promotion of entrepreneurship among MSMEs is widely handled through a combination of public- and public-private sector organizations in different countries.

Entrepreneurial ventures differ from micro, small and medium-sized businesses in the following ways:^{ix}

- 1. Volume of Wealth Creation** - A successful entrepreneurial undertaking creates wealth rather than simply generating income
- 2. Rapidity of Wealth Accumulation** - Entrepreneurial wealth creation and accumulation frequently occur at a faster rate
- 3. Propensity to take risks** - Entrepreneurs take greater risks in their pursuit of high profit and wealth
- 4. Creativity and Innovation** - two (2) fundamental characteristics of entrepreneurship is creativity and innovation. Entrepreneurs find newer and easier ways to do business, utilize “cutting edge” technology, and create products and services which enable them to achieve wealth and maintain both a competitive and comparative advantage.

This policy framework therefore intends to strengthen the entrepreneurial culture of MSMEs, so that they metamorphose into high-growth enterprises. The Action Plan emanating from this Policy will clearly outline the role of the relevant actors (public and private sectors, academia, civil society, et al.), including performance indicators and targets, in making this a reality.

CHAPTER 3

IMPORTANCE OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

The private sector is considered the “engine of growth” which is why creating a supportive environment for entrepreneurship and MSME development has become a top policy priority in almost every country around the world (Audretsch et al. (2006))^x. Lester et al. (2007)^{xi} affirms that there is broad agreement on the merits of devising policies to enhance the contribution of MSMEs to global trading, since it is widely recognized that MSMEs are under-represented in the global economy. For example, MSMEs typically contribute about 50 per cent of GDP in the developed economies and some 60 per cent of total employment, yet MSMEs contribute only around 30 per cent of exports and even less in terms of flows of international investment.^{xii}

A co-relation exists between MSMEs and GDP growth. Although evidence for a direct causal relationship is limited in most cases,^{xiii} there are many acknowledged benefits of MSMEs in growing an economy. For example, a major investment organization ordered case studies of ten (10) firms in its SME portfolio and found significant benefits for employees, the community and the local economy.^{xiv} Recent bodies of research, including a report produced by the United Nations Industrial Development Organization (UNIDO), support these findings, showing that there is widespread consensus that MSMEs:

- Are labour-intensive and provide more opportunities for low-skilled workers
- Are correlated with lower income distribution inequality
- Are an important part of the supply chain for large MNCs (Luetkenhorst, 2004)
- Are necessary for agriculture-dependent nations transitioning to an industrial- and service-oriented economy²
- Are excellent "beta-sites" for innovation and sustainable initiatives due to their inherent flexibility and risk-taking ability (Raynard and Forstater, 2002)--examples include *Verdant Power* or *Energia Global*
- Provide all of these crucial benefits in developing countries despite their relatively smaller favorable investment climate, which includes a low cost of doing business and a short average

time to start an enterprise

Micro-enterprises are important in their own right, for two (2) main reasons:

- In the longer term, they can provide a seed bed for entrepreneurship, and for the corporate growth and economic renewal needed to maintain competitiveness. Almost all MSMEs start as a micro-enterprise, in that, they start as a concept developed by a single person or a few people.
- In the immediate term, they can provide an alternative to unemployment, and they can provide a means of alleviating poverty and social disparities. Most micro-enterprises are non-employing, but they create jobs (even if it is only part time) for the entrepreneur.^{xv}

Regional and International Best Practices

Governments worldwide have come to appreciate the huge contribution that MSMEs make to their economies. These enterprises provide employment, economic growth and advancement and increase the government coffers via tax contribution. Regardless of their significant involvement in economic development, MSMEs face many problems and, at times, are hindered from commencing operations. Recognizing both the plight and potential of MSMEs, some governments have sought to provide assistance to this crucial sector in a variety of ways.

Across the global community, there is also a growing recognition of the need to invest in entrepreneurship to unlock the fullest potentials of MSMEs, and the wider economy.

India

In India, the role of MSMEs in the economic and social development is well established^{xvi}, Adequate emphasis has been given on the development of MSMEs by policy makers, politicians and the intelligentsia.

This sector contributes 8 per cent of the country's GDP, 45 per cent of the manufactured output and 40 per cent of its exports. The MSMEs provide employment to about 60 million persons through 26 million enterprises. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries.^{xvii}

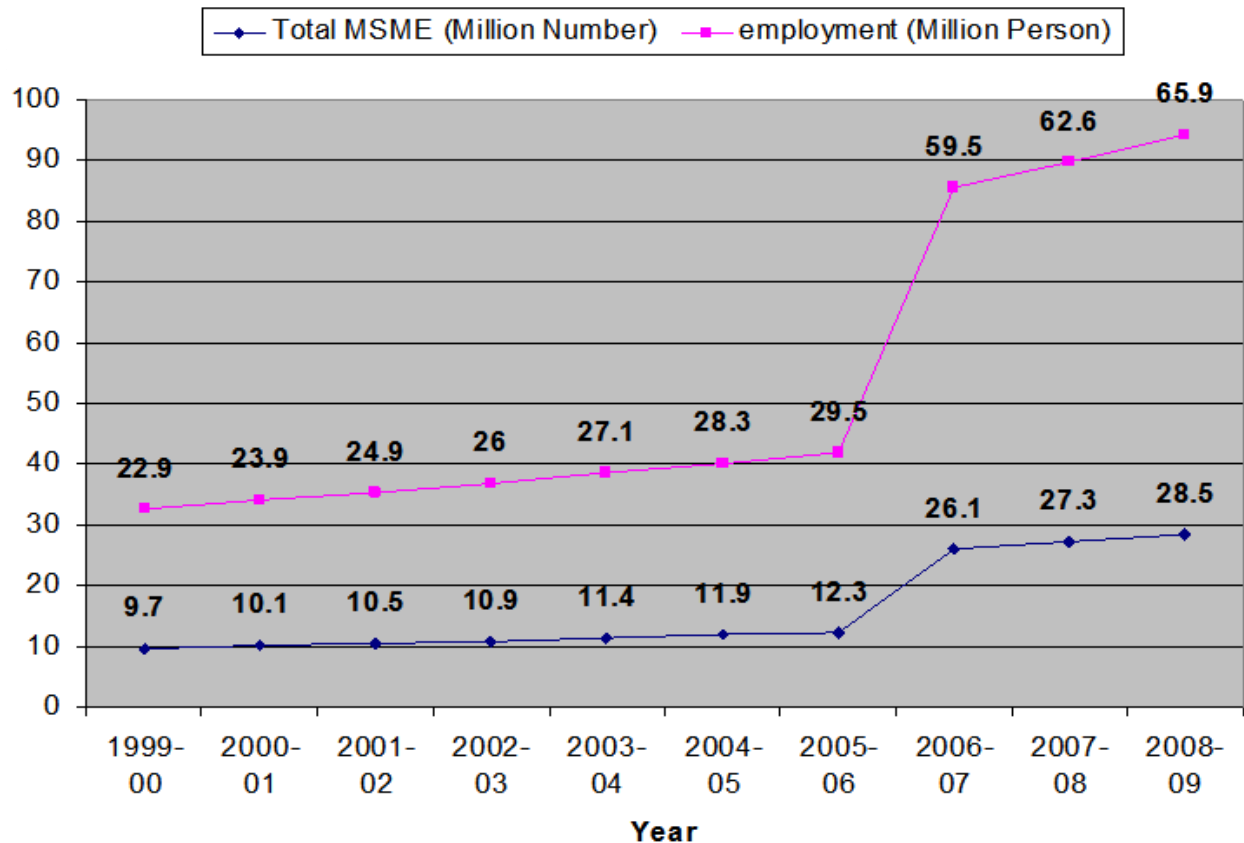


Figure 1: Total number of MSME and employment generation by MSME sector in India^{xviii}

As reflected in Figure 1, the number of MSMEs increased steadily in India from 9.7 million in 1999-2000 to 12.3 million in 2005-2006. This could be as a result of the conducive policy environment during the liberalization era. There was a significant rise in the number of MSMEs between 2005-2006 and 2006-2007, because the data for the period up to 2005-2006 is only for small scale industries (SSI).

Similarly, the number of persons employed in MSMEs increased from 22.9 million in 1999-2000 to 29.5 million in 2005-2006, and drastically rose from 29.5 million in 2005-2006 to 59.5 million in 2006-2007. In 2008-2009, the trend continued with a further increase to 65.9 million

This indicates that the Government has followed a supportive policy towards MSMEs aimed at facilitating their growth and enhancing their competitiveness. Indian MSMEs contribute significantly to the national priorities of employment generation, entrepreneurship promotion and backward area development.^{xix}

The National Science and Technology Entrepreneurship Development Board (NSTEDB) was established by the government, under the auspices of the Department of Science and Technology, to assist in promoting knowledge driven and technology intensive enterprises. The Board seeks to convert "job-seekers" to "job-generators" through Science and Technology (S&T) interventions.^{xx}

Indonesia

Entrepreneurship development is an important issue related to economic development in Indonesia. It is widely believed that the lack of entrepreneurship in this country has been the main cause of relatively low economic development in the country as compared to other Asian countries such as Malaysia, Thailand, China, South Korea and Singapore. In recognition of this weakness, training in entrepreneurship has become an important feature of development government-supported programmes for the development of MSMEs in Indonesia.

Singapore

Singapore has over 126,000 SMEs. The government has provided a series of funding to both locals and foreigners who set up businesses. Highly desired businesses, especially if they were to start-up or bring their expertise to Singapore, could avail themselves to several types of funding from the Government or the Private Sector. The following are a few funding initiatives in Singapore:

Government Funding:

- 1. SEEDS** – The Start-up Enterprise Development Scheme (SEEDS) is a \$50 million equity finance fund for startups and new businesses that is administered by the Economic Development Board (EDB).
- 2. DEALS** – Deals exchange online for start-ups is a government initiative led by EDB to create a gateway for new businesses and funding opportunities for start-ups and emerging companies. The initiative seeks to connect businesses to the right investors.
- 3. Micro-Business** – An initiative administered by the Standards, Productivity, and Innovation Board (SPRING) Singapore is a fixed interest rate financing programme for start-up and small enterprises; especially those that are asset-light and knowledge intensive. The loans can be used to establish new businesses, modernize and automate

operations, expand existing businesses and augment working capital needs. There are at least 40 government grants and loans available.

Private Funding:

- Traditional source of funding (banks and financing companies) are often unwilling to fund new companies. However, established companies are able to use these sources of funding by way of overdrafts and other forms of credit.
- Business directory is placed on internet thus encouraging and assisting SMEs to look beyond their daily operations and to consider using the internet as a marketing tool. They also utilize “small business meet up groups” on the net, thereby benefiting from networking. Singapore has a site dedicated to new and existing SME owners. These owners benefit through:
 - **E-mail market** – traditional methods of advertising are expensive but a mass e-mail service advertises the products at a much reduced cost.
 - **Marketing assistance** – entrepreneurs are assisted with marketing studies.
 - **Funds** – strategic alliances are formed with several funding companies who can assist a business through its various stages of development.
 - **Networking sessions** – SMEs are able to benefit from contacts and exchange of “best practices.”

Singapore also enables enterprise for startups with the following schemes:

- **Young Entrepreneurs Scheme for Schools** – provides schools with grants of up to \$100,000 to support structured entrepreneurial learning activities.
- **Young Entrepreneurs Scheme for Start-ups** – provide youths with up to \$50,000 to start their innovative business.
- **Local Enterprise and Association Development (LEAD) Programme** – Launched in May 2005, this programme supports enterprise growth and industry competitiveness. It has eighteen associations embarking on approximately \$85 million worth of projects to boost industry performance.

Ireland

The government of Ireland is keen to promote enterprise and as such may offer grants to businesses as an encouragement for the venture. Ireland's Enterprise Minister, Arlene Foster, in her effort to stimulate the development of small enterprises launched a series of briefings aimed at the small business community to explain how research and development (R&D) could offer benefits to their businesses. Additionally, Ireland offers a programme referred to as Micro Trade, which helps small businesses build contacts, markets and partnerships across the island. This initiative of the County and City Enterprise Board of the Republic of Ireland aims to promote cross border trade and business co-operation specifically within the micro enterprise sector. The core function of Micro Trade is therefore to aid small businesses build networks of contacts that will help them in their endeavors to expand into all island markets.

Mauritius

Enterprise Mauritius was established as a collaborative partnership between industry and government with the aim of helping businesses in Mauritius expand into regional and international markets while developing their internal capabilities to meet the challenges of international competition. Its key areas of focus are:-

- Promoting export
- Supporting enterprise development and
- Providing competitive intelligence

Mauritius contributes to the expansion of the small business sector through organizations such as the Small Enterprises and Handicraft Development Authority (SEHDA) which provides support to potential and existing entrepreneurs.

Malaysia

Malaysia has the third most industrialized economy and has a Credit Bureau that provides credit reports on SMEs. It is a multiracial country where the Chinese comprise 30% of the population. Most of the Chinese enterprises are very small but there is strength in these ventures because of strong family ties, sharing and pooling of resources, efficient use of manpower, practice of thrift, use of low gearing, flexibility of operations etc. in essence, the

Chemise has developed a culture that produces favorable responses to small businesses. These strengths may however become weaknesses, should the business expands.

In its efforts to enable the creation of small businesses, the Government of Malaysia established many institutions. These institutions were tasked primarily with the objective of providing capital to small businesses. Chief among these agencies was “MARA.” By the end of 1992 MARA had granted loans to 102,968 small businesses producing a total value of RM586 million dollars. Another agency established by the Malaysian Government to assist small businesses obtain credit from commercial banks at a reasonable cost is the Credit Guarantee Corporation (CGC). These agencies, and other institutions like them, have however not been able to solve the Malaysian financial problems of small businesses.

Brazil

Approximately 99% of Brazilian companies are small and medium sized businesses. The country has approximately 4.9 million SMBs – one for every thirty eight person making up the population of close to 187 million. In 2005, just over 53% of the SMBs used little or no technology. This trend is however starting to change as the federal government has increased its IT support and more SMBs have lashed on to the notion that the strategic use of technology can increase efficiency and cost.

Interest rates are falling in Brazil hence there is a higher degree of credit availability than in previous years. The Government is attempting to stimulate the use of technology by citizens and businesses alike and have put forward the following initiatives in support of IT adoption by SMBs:-

- A goal of doubling the number of broad band connections by 2010 from the current 4.3 million to more than 10 million is being consciously pursued.
- In 2005 the government eliminated a 9.25% tax on purchases of desktop and laptop computers. This prompted more businesses to invest in new computer technology.
- The Innovation Law, introduced in 2006, allows the federal government to monetary grants to SMBs for IT investments that will help them become more competitive in their markets.

- Taxes have been lowered for businesses that invest in technology through the Innovation Law programme. Analysts expect that the government's technology will have an ongoing effect. The small companies have realized that with technology investment, they can be more efficient as well as productive. Every time one of them decides to invest in technology, some of their competitors do the same, thus increasing competition and creativity in the sector.

Perhaps even more important than the federal initiative is that financing for Brazilian companies have become simpler and more accessible. Although the Brazilian state owned banks offer better rates than private banks, the SMEs find it difficult to apply and qualify for its financing programmes. Technology vendors such as Cisco, Microsoft and Oracle have stepped in to help Brazilian SMEs by offering lines of credit. Notable, however, is that during the global downturn, the Government owned Federal Saving Bank of CEF announced the creation of fresh credit lines for small businesses to the amount of \$20 billion Brazilian reaps (\$11.3 billion). The institution noted that the creation of the new line of credit was part of a broad government effort to guarantee business and consumer credit during the global economic slowdown.

Small business loans so far for this year by the CEF has amounted to BRL\$18.2 billion, representing an expansion of 17% over the same period last year (2008). The CEF predicts that the credit line will be all use dup by the end of the year, bringing the total such loans for 2009 to BRL\$ 38.2 billion – a 56% increase over 2008.

In 2004 the Brazilian Micro and Small Business Support Services (SEBRA) held a series of seminars throughout the entire country to celebrate the day dedicated to Small Businesses. During this time also, incubators were spread across the main economic centers of Brazil thus motivating the birth of new companies in small cities across the country. The incubators are technological centers, normally connected to universities and schools, where the future entrepreneurs receive orientation and support to start their business. They have been described as “more than a way of generating successful companies” but indeed a “way to guarantee very well sustained regional development.”

Barbados

The Barbados Small Business Development Act defines a Small Business as any enterprise that satisfies at least two of the following criteria:

- Is incorporated under the Companies Act of Barbados
- Does not have more than \$1million as stated or paid up capital
- Does not have more than \$2million in annual sales
- Employs not more than twenty-five (25) persons.

In an attempt to facilitate the growth of small businesses the Act was recently amended to provide registered small businesses with a number of incentives. These incentives include:- a reduction from 25% to 15% on corporation tax on the profit of their business, exemption from import duties on raw materials, plants and equipment imported for business use, and exemption from withholding tax on dividends and interest earned on investment in an approved small business, or in any fund approved for investment in small businesses. Under the Stamp Duty Act, there is also the exemption from payment of stamp duties on all documents related to business (where the registration of the documents are required by law) and a deduction of corporation tax of an amount equal to 20% of the actual expenditure incurred in respect of the use of technology, market research, and any other activities that are considered by the Commissioner of Inland Revenue to be directly related to the development of the business.

The Small Business Development Center of Barbados Investment and Development Corporation (BIDC) offers an Innovation Support Programme, which provides confidential assistance for creative Barbadians involved in the development, intellectual property protection and commercialization of any new product ideas that they may entertain. The programme aims to ensure that no good ideas are lost because of a lack of financial, technical, or other means required to implement them. The programme represents a strategic alliance between the innovators and BIDC.

Other programmes developed to stimulate small business growth include:-

- **Holding Hands Mentorship Programme** – this programme is intended to help small businesses benefit from the knowledge and experience of well-established and leading

business persons. Carefully selected mentors are assigned to participating small businesses in sectors such as agriculture and manufacturing.

- **Incubator Programme** – this is intended for startup and emerging businesses. The primary objective is to improve the businesses' chance of success.

Trinidad

The government of Trinidad tries to create an enabling environment for micro, small and medium business development primarily through the National Entrepreneurship Development Company (NedCo.). NedCo. was established in July 2002 as the primary agency to interface with prospective clients and to coordinate the loan and business development activities with the promotion of micro and small enterprises (MSEs) development in Trinidad and Tobago. NedCo. operates under the purview of the Ministry of Labour and Small and Micro Enterprise Development, and its services include:

- Assistance in developing business notions from concepts into workable ideas.
- Advice on the preparation and implementation of effective business plans.
- Access to startup capital and micro and micro finance facilities, including loans from as low as 8% per annum.
- Training, retraining and continuous learning on various aspects of business operations through mentoring, continuing adult education, vocation and technical education and production and management skills.
- Marketing support to enable small businesses to develop a competitive spirit.

The initiative is certain to produce a significant positive impact on employment creation in Trinidad's labour market.

Between August 2002 and June 2009, 9,146 loans valued at over \$2009 million were disbursed. Trinidad's 2009/2010 budget records that NedCo's limit on loans was increased from \$250,000.00 to \$500,000.00; an effort by the government to further enable Micro and Small businesses to grow into Medium enterprises.

One of NedCo's initiatives is in the form of the Entrepreneurial Training Institute Incubation Center (ETIIC). This is an environment that houses: - business advisory, mentoring and IT services, training, entrepreneurial development and research planning. It also has an onsite

distribution and marketing show room that gives clients exposure to buyers around the world through an online “market place.” ETIIC is highly interactive and technology driven, providing insight and solution to small businesses that want to gain that competitive edge.

The Small Enterprising Business Association (SEBA) of Trinidad in its contribution to the development of the MSME sector has made the following recommendations that may advance the cause of small business owners:-

- Have agencies such as NedCo. and commercial banks provide more loans for small businesses.
- Have NEdCo. and commercial banks provide more training for entrepreneurs that will equip them with the skills needed to operate a business.

CHAPTER 4

SITUATIONAL ANALYSIS

During the 1950s and 1960s, the Jamaican economy experienced rapid growth, due mainly to the performance of the bauxite industry. These two (2) decades saw real GDP growth averaging about 4.5 percent. Between 1972 and 1986, economic growth was weak, and fluctuations were noticeable. Noticeably, between 1973 and 1980, Jamaica experienced seven (7) consecutive years of negative growth. During this period, the economy failed to register two (2) consecutive years of significant growth. Negative growth in the 1980s coincided with the decline in the global bauxite market. The economic malaise which the island experienced during the 1970s highlighted the mobility and sensitivity of both labour and capital, as skilled labour and investment capital departed the economy. Between 1992 and 2004, economic growth averaged about 1% annually.

Most Jamaicans enjoyed a relatively high quality of life when compared with their neighbours. For example, in the early 1980s, Jamaica's physical-quality-of-life index calculated by the Overseas Development Council was higher than that of Mexico and Venezuela and equal to that of Trinidad and Tobago. In addition, Jamaica led Caribbean and many other low-middle-income countries in terms of primary education and access to health facilities. However, Jamaica still suffered from severe social problems resulting from the skewed distribution of the country's wealth, often said to be the legacy of colonialism and slavery. For example, in 1960 the top 20 percent of society received 61 percent of the national income, and after independence, income distribution continued to worsen. Land tenure was also highly inequitable. In 1961, the year before independence, 10 percent of the population owned 64 percent of the land; this pattern continued in the 1970s, despite the implementation of a land reform program. Less than 1 percent of the country's farms covered about 43 percent of the land in 1978. Jamaicans in urban areas had much more access to piped water, sanitary plumbing facilities, and high quality health care than their rural counterparts. These disparities in income and service were believed to have widened even more as a result of the austere economic policies of the 1980s.

During the late 1990s, Jamaica's ranking on the Human Development Index (HDI)^{xxi} declined, vis-à-vis other Caribbean states. While Jamaica increased from 0.72 in 1992 to 0.74 in 1998, its

ranking relative to other countries declined from 69th place in 1990 to 82nd place in 1998. Jamaica was surpassed by St. Kitts and Nevis, Belize, and St. Vincent and the Grenadines.

In 2008, the Jamaican economy was seriously affected by the onslaught of the global recession. While improvements have been made in some areas, there are still some challenges that must be confronted - a sizeable trade deficit, large-scale unemployment and underemployment, and a debt-to-GDP ratio of almost 130%. Structural weaknesses, difficulty in doing business (paying taxes, et al.), and the high cost of energy, continue to erode confidence in the productive sector. The government faces the difficult prospect of having to achieve fiscal discipline in order to maintain debt payments, while simultaneously attacking serious crime challenges that are hampering economic growth.

Although official statistics show decades of economic stagnation in Jamaica, economists at the World Bank (WB) and Inter-American Development Bank (IDB) have estimated significant growth in the informal sector. Such studies suggest that inclusion of the informal sector would raise Jamaica's GDP statistics by as much as 40%.

The country's economy is heavily dependent on services, which now account for more than 60% of GDP. Jamaica continues to derive most of its foreign exchange from tourism, remittances, and bauxite/alumina. Remittances account for nearly 20% of GDP and are equivalent to tourism revenues. Remittances dipped 15% from 2008 to 2009, but have recovered and are near where they were before the global economic downturn. Three (3) of Jamaica's four bauxite/alumina firms suspended operations in 2009 due to falling demand amid the global economic downturn. Only one of the three had restarted some operations as of August 2010. Inflation rose to 11.7% in 2010 as a result of high prices for imported food and oil; inflation was 10.2% in 2009 and 16.8% in 2008.

Jamaica took two significant steps toward improving its economy in January and February 2010. The first was the Jamaica Debt Exchange (JDX), in which the country retired 350 high-priced domestic bonds and replaced them with 24 new bonds at lower rates of interest of about 12.5%.

This helped reduce the debt servicing costs for Jamaica by about \$450 million per year and provided the country with some fiscal relief. Secondly, the Government of Jamaica signed a US\$1.27 billion, 27-month Standby Arrangement with the International Monetary Fund (IMF) to support the country's economic reforms and to help to cope with the consequences of the global economic downturn. Despite these moves, the government has limited spending available for infrastructure and social programmes, since debt servicing still accounts for a substantial amount of government expenditures.

In an effort to reduce expenditure to allow greater fiscal space, the government divested itself of Air Jamaica via a sale to Caribbean Airways, sold sugar estates, and is in the process of divesting its share of a major bauxite operation.

Creative Industries

Jamaica is distinguished by the worldwide reach of its culture, particularly music. The National Culture Policy of 2003 identifies the important role of culture in national development through the promotion of positive national self-identity, development of cultural industries and institutions, and cultural linkages to education, science and technology and other economic industries and sectors. Cultural industries involve the creation, production and commercialization of contents which are intangible and cultural in nature, which are typically protected by copyright, and which may take the form of goods or services.^{xxii}

The range of cultural industries (also known as “creative industries”) include printing, publishing and multimedia, audio-visual, phonographic and cinematographic productions, crafts and design, and may be extended to include architecture, visual and performing arts, sports, manufacturing of musical instruments, advertising and cultural tourism.^{xxiii} Cultural and creative industries are among the fastest growing aspects of the global economy; they represent up to 7 per cent of the world’s GDP, with growth forecast at 10 per cent per annum, driven in part by the convergence of media and the digital economy.^{xxiv}

By far the most successful creative industry in Jamaica has been its popular music, whose leading exponent, Bob Marley, has become the single most famous Jamaican at a global level,

while the presence of Jamaican music is reflected in international music awards events, music festivals and sales charts. While there are limited data on the size of the creative industries in Jamaica, there is evidence of their economic importance. A recent study indicated that the copyright industries contribute about 4.8 per cent to the GDP of Jamaica, and account for 3.0 per cent of all employment.^{xxv}

We possess the potential to develop our cultural and creative industries into a major contributor to economic growth based on our demonstrated competitive advantages and the projected long-term expansion of the global creative economy. Vision 2030 Jamaica will realize this potential, and recognizes the importance of the export market for our creative industries, which far exceeds the size of our domestic market.^{xxvi}

Sports

Another important component of our cultural capital is represented by sports. The successes of Jamaica's sportsmen, sportswomen and national sporting teams at the highest levels of international competition have contributed to the national pride and fame of our country. In addition, sports also have important social benefits including contributions to physical and mental health, socialization of children and adolescents, and community development. In the Jamaican context, sports have particularly important roles in building unity at the national and community levels, including reducing crime by targeting "at risk" youths, and bridging divisions created by political tribalism. There are existing policy initiatives that will expand and broaden the participation in sport, including policies on healthy lifestyles, the disabled, youth and the elderly.^{xxvii}

While Jamaicans have demonstrated abundant human talent in sports, there is limited infrastructure for sports at the parish and community levels, including schools. This inhibits broad participation in recreational and competitive sport. There is inadequate capacity for training the increased numbers of sport administrators, coaches, managers and other personnel needed to support the expansion of sport and its role in national development.^{xxviii} Jamaica must focus heavily on "the business of sports" where wealth is created through the exploits of our sportspersons.

The National Sports Policy provides the framework for a rollout of initiatives to achieve the desired objectives. Greater efforts will be required by the Ministry of Industry, Investment and Commerce and the Jamaica Promotions Corporation (JAMPRO) to attract investments in sports, and the Jamaica Intellectual Property Office (JIPO) in educating sportsmen/women and sporting clubs and organizations on how to protect their intangible assets such as copyrights, trademarks, patents and rights. A synergistic approach will be required by the public and private sectors, civil society, et al., in unlocking Jamaica's fullest potentials in the area of sports.

Agro-Processing (Food & Beverages)

The international demand for Jamaica's unique and diverse range of food products continues to grow, with exports increasing by 43% in 2008. The agro-processing industry, within the wider industry of manufacturing, contributes to adding value to Jamaican agricultural products as well as to employment opportunities in rural areas. The objectives for the agro-processing industry are to i) increase exports by 15% each year by improving access to overseas buyers ii) introduce five (5) new products to the export market by 2012 iii) drive the adoption of full global best practices by 60% of the industry iv) improve Jamaica Agro-Processors Association (JAPA) so that it is an effective and vibrant association.

Aquaculture

Fish, crustaceans and molluscs have been one of Jamaica's best performing exports in the non-traditional export category, making the aquaculture industry a potential champion export for Jamaica with growth opportunities for production and export. The objectives for the aquaculture industry centre on improving production efficiencies, while reducing costs of production, ultimately resulting in i) improved growth rate of fish by 10-20% ii) improved feed conversion (from 2 to 1.5) iii) increased profitability of firms by 20% iv) increased recovery from 70% to 80% (world average) by 2011 significant improvement in brood stock quality (hardiness and fecundity) vi) reduced losses from theft vii) increased export value of 15% annually viii) increased acceptability and accessibility of Tilapia as a main protein source.

Coffee

Jamaica's Blue Mountain coffee, one of the island's top ten exports, remains an iconic brand globally and a symbol of quality product from Jamaica. There is significant export potential that may be realized from both increased production and export volume, increased value of export by expanding the percentage of value added production locally, as well as development of value-added products.

The industry objectives for coffee are to i) access new market niches in at least three countries ii) increase the volume of exports by 20% (iii) improve 'clean bean' yield to 980 kilograms per hectare (from 590) iv) increase premium exports to 45% of total (green bean) export (from 23% baseline) v) increase sales to the tourism industry by 15%.

Education

Jamaica has an active and vibrant education industry with a number of well-established public and private institutions and a range of study offerings in an attractive location. This industry has strong growth potential and could develop a viable education export industry capable of providing significant foreign exchange earnings.

The objectives for the Education industry are to i) achieve export earnings of over US\$30 million ii) attract 1,000 additional extra-regional students at tertiary institutions with differential fee structures per year iii) attract 1,000 additional regional students at tertiary institutions with homogenous fee structures per year iv) attract three foreign English language training (ELT) providers to Jamaica and increase the number of ELT students by 500.

Entertainment

Jamaica is known globally for its cultural and creative industries, which are a major contributor to the local economy. Within the Creative Industries, Dance, Drama, Film and Music are among the strongest export services and have the greatest potential to promote our culture and creativity. Estimates of music export earnings are as high as US\$100 million, while film location projects may contribute US\$14 million to the local economy.

The objectives for the entertainment industry are to i) increase music exports by US\$50 million over five years ii) increase exports across the industry by 20% annually iii) strengthen the industry by focusing on the formalization and development of enterprises iv) enhance the institutions that support the industry to improve coordination and business approach to its development.

Fashion, Jewellery & Accessories

Jamaica's vibrant fashion industry may be considered the strongest goods producing industry in Jamaica's creative industries. Jamaica's total export figures for the apparel and jewellery industries include items manufactured locally for international firms as well as the export of items not manufactured locally, but not captured as re-exports, such as wristwatches.

The objectives for the fashion, jewellery and accessories industry are to i) develop a strong national fashion cluster that will be sustained following the termination of the Private Sector Development Programme (PSDP) ii) create a competitive fashion industry producing quality garments to international-level standards to meet market demands iii) create a nationally and regionally prominent industry based on the increased awareness of the Jamaican cluster iv) increase production of locally designed and manufactured fashion products.

Information and Communications Technology (ICT)

As a recognized leader in ICT services in the region as well as in target markets, Jamaica has the opportunity to build on this position and tap into the large US market. Jamaica has an active ICT industry centred on software development services and the largest call centre industry in the region. Exporting is already taking place across the segments of this market, with exports from the call centre industry alone conservatively estimated to be between US\$300-400 million.

The objectives for the ICT industry are to i) double annual contact centre/Business Process Outsourcing (BPO) exports by US\$150 million ii) establish a venture capital fund to support the ICT industry iii) attract 15 foreign contact centre/BPO service providers to the country iv) facilitate the set-up of at least five local BPO service providers v) establish an association representing 60% of firms in the industry within the first two years of implementing the NES.

Mining

Jamaica has a range of commercially exploitable minerals, including a wide variety of limestone, hard volcanic rocks, bauxite, marble, base and precious metals, sand and gravel. These minerals are of major significance to Jamaica's economic development, particularly their contribution to the national economy, their impact on, and linkages with other industries, and their overall contribution to GDP. In fact, since 1985 the Minerals Industry has contributed at least 5.2% to Jamaica's annual GDP.

The industry objectives for mining are to i) increase mineral exploitation, value-added production, local consumption and export of minerals and mineral products, and to expand and modernize the minerals industry ii) ensure the effective management of mineral resources iii) develop a modern legislative framework and supporting institutions which enable continued development of the minerals industry iv) create a strong and profitable industry.

National Export Strategy (NES)

Jamaica's National Export Strategy (NES) is a unified strategic initiative that seeks to maximize the export sector's direct contribution to economic and social development.

The vision of the NES is *"to make Jamaica the place of choice for creative, innovative goods and services of exceptional quality."*

The strategy is being developed under the leadership of the Ministry of Industry, Investment & Commerce, with technical assistance from the International Trade Centre (ITC) and partial funding from the Private Sector Development Programme (PSDP), a joint initiative of the Government of Jamaica and the European Union.

The goal is to improve our export performance by advancing the competitiveness of firms and sectors, while enhancing the business and trade environment. The strategy is being championed jointly by Jamaica Trade and Invest (JTI) and the Jamaica Exporters' Association (JEA).

The NES is part of Vision 2030 Jamaica, the National Development Plan that is being led by the Planning Institute of Jamaica (PIOJ), and calls for improving our international competitiveness. The NES will be implemented by a network of partners (the Network for Export Solutions).

DRAFT

CHAPTER 5

MSMEs AND THE JAMAICAN ECONOMY

Business Registration

Between 2000 and 2010, the number of new businesses registered in Jamaica averaged 6,344 annually^{xxix}. There were fluctuations in the number of new businesses registered between 2000 and 2005, followed by gradual increases even during the recessionary periods, and a surprising peak of 9,549 new business registrations in 2009. The number of new businesses registered in 2010 (8,598) was however 951 fewer than that for 2009, which ended with a total of 9,549 new registrations.

Between 2000 and 2010, the number of new businesses registered averaged 6,344 annually. There were fluctuations in the number of new businesses registered between 2000 and 2005, followed by gradual increases even during the recessionary periods and surprising peak of 9,549 new business registrations in 2009 (Fig.4). The number of new businesses registered in 2010 (8,598) was however 951 fewer than that for 2009 which ended with a total of 9,549 new registrations.

Monthly figures for new business registration between 2005 and 2011 also reveal a similar uptrend since 2006. The decline in the number of new businesses registered at the end of 2010 was reflected in the decreases in monthly registration for the months of February, April, May, July, August, September and December of that year. At the end of September 2011, the total number of new businesses registered since the start of the year stood at 6,874, an increase of 219 (3.29%) new registration when compared with January to September 2010 with 6,655 new registrations.

Data on MSMEs

The 1996 Micro and Small Enterprise Survey of Jamaica revealed the following^{xxx}:

- The number of non-agricultural micro-enterprises increased from 36,780 in 1983 to 93,110 in 1996. Trading activity among micro-enterprises increased from 47.2 per cent in 1983 to 63.3 per cent in 1996, while non-trade activity declined from 52.8 per cent to

36.7 per cent during the same period. An interesting observation made (based on the economic problems which prevailed at the time) was that micro-enterprise activities increased significantly, while there was considerable closure of small and medium-sized businesses.

- The number and percent of non-agricultural micro-enterprises in Jamaica by type of business - 1983, 1990 and 1996, are elucidated below in Table 4:

Type of Business	Number			Percent		
	1983	1990	1996	1983	1990	1996
Own account Business	16,990	41,990	67,870	46.2	47.2	72.9
With 1-4 paid employees	14,680	41,370	22,760	39.9	46.6	24.4
With 5-9 paid employees	5,110	5,490	2,480	13.9	6.2	2.7
Total	36,780	88,850	93,110	100.0	100.0	100.0

Table 4: Non-agricultural micro-enterprises in Jamaica – 1983 - 1996

Industry	Type of Business							
	Owner worker		1-2 paid workers		3-4 paid workers		5-9 paid workers	
	1992	1996	1992	1996	1992	1996	1992	1996
Manufacturing	41.7	54.6	33.8	26.5	16.5	11.9	8.1	7.0
Construction	51.9	47.2	22.2	10.4	3.7	20.7	22.2	21.7
Wholesale & Retail Trade	60.9	82.2	28.4	13.2	6.4	3.5	4.3	1.1
Restaurants & Hotel	37.8	46.6	40.4	37.0	15.0	9.9	6.7	6.5

Industry	Type of Business							
	45.8	69.2	36.1	16.4	10.8	6.1	7.2	8.3
Transportation/Communications	45.8	69.2	36.1	16.4	10.8	6.1	7.2	8.3
Finance/Business Services	10.7	31.1	42.7	26.3	30.7	21.3	16.0	21.3
Community Service	22.2	34.5	44.4	43.3	23.3	14.3	10.0	7.9
Personal Services	56.1	74.3	35.7	20.8	6.7	4.8	1.5	0.8
Motor/other repairs	30.0	54.5	35.8	33.3	24.3	8.9	9.9	3.3

Table 5: Percentage distribution of micro-enterprises (by business type of industry) – 1992 & 1996

Based on Table 8, there was significant increase in owner-managed businesses in all types of industry, while paid workers declined in 1996, as compared to 1992. Construction and Finance/Business services were the two (2) major industries which provided jobs for the maximum number of paid workers, while Manufacturing and the Wholesale/Retail trade were more owner-managed and had less paid employees.

An IDB supported survey was designed and carried out in 2003 to collect data on MSEs in Jamaica.^{xxxii} Based on a full listing of Jamaican premises, a size-stratified random sample of 1,226 was drawn consisting of the following business components: 52% own-account workers;^{xxxiii} 37% micro enterprises with two (2) to four (4) workers; and 11% small firms employing up to twenty (20) workers. Below is a summary of the findings of the survey:

- Average monthly income of micro-enterprises - J\$57,000 (US\$ 979)
- Average monthly income of small enterprises - J\$900,000 (US\$15,470)
- Over 1/2 small scale firms located in the large metropolitan areas of Jamaica - Kingston, the capital city (9.3%), St. Andrew, the major metropolitan parish (37.1%), and St. Catherine, the largest parish (24.3%)
- 40% of small enterprises involved in wholesale and retail trading
- 26% engaged in “education, social work and other personal services”
- Manufacturing and “hotels and restaurants” and “transport, storage and communications,” accounting for 9%, 9% and 7%, respectively
- Almost four-fifths (79%) were males
- Average age of the small business owner was 46 years
- Small firms sell over 4/5 (83.5%) of their commodities and services to individual customers locally, with only 14% of their customers being other firms
- Small firms identify their main competitors as other small enterprises (57%) and micro-enterprises (35%)
- Large percentage (79%) of competitors are located in the same area where the small firm operates, representing strong competitive markets among these enterprises
- About ¼ (23%) of small firms report having no bank account
- Under 1/5 (18%) of small firms applied for loans in year preceding the survey, and 15% obtained such loans
- About 1/3 (33.3%) stated that they needed loans
- Just over two-thirds (66.7%) of loans received by small firms were obtained through commercial banks
- Almost 20% of loans received by small enterprises were granted by family/friends and informal financial institutions
- The majority (60%) of these loans is used for working capital purposes, with 30% allocated to the procurement of fixed assets
- 38% of small firms reported defaulting on loan repayments, with almost two-thirds (62.5%) identifying cash flow problems as the main reason

CHAPTER 6

POLICY FRAMEWORK

Vision Statement

Jamaica's vision's for the MSME sector is as follows:

“A highly entrepreneurial sector which fuels economic transformation through innovation, creativity and high performance”

Mission Statement

“To inculcate a deep-seated culture of entrepreneurship in MSMEs, reduce bureaucracy to improve the ease of doing business, build capacity, and provide timely and relevant support by forging strategic partnerships and linkages with key sectors within the society.”

In achieving the vision and mission, the government will perform the following roles.^{xxxiii}

- **Promoter** – Government intervenes directly in MSME development
- **Facilitator** – Government provides an environment that is enabling to establishing and conducting business
- **Regulator** – Government crafts (and amends, where necessary) and implements laws and regulations relating to MSMEs

Policy Goals^{xxxiv}

- Jamaicans are Empowered to Achieve their Fullest Potential
- Jamaica's Economy is Competitive and Prosperous
- Jamaica has a Healthy Natural Environment

National Outcomes

- An Enabling Business Environment
- A Stable Macro-economy
- Internationally Competitive Industry Structures
- World Class Education and Training
- Authentic and Transformational Culture
- Energy Security and Efficiency
- A Technology-Enabled Society
- Sustainable Growth and Development

Main Principles

The MSME Policy is anchored on the following fundamental principles:

- MSMEs are entrepreneurial in all undertakings
- MSMEs are a catalyst for human, social and economic development
- MSMEs are key drivers of economic growth
- MSMEs are key enablers for social stability

CHAPTER 7

STRATEGIC FRAMEWORK: ALIGNMENT WITH NATIONAL DEVELOPMENT PLAN (VISION 2030)

The goals, strategies and outcomes embedded in the MSME and Entrepreneurship Policy are congruent with Jamaica's National Development Plan (Vision 2030). The Plan outlines the roadmap that will facilitate the nation achieving "Developed Country" status by 2030. Under Vision 2030 Jamaica, efforts will be made to foster a culture of entrepreneurship and improve the business environment by ensuring an efficient bureaucracy, adequate access to capital, supportive trade relations, a well-functioning labour market and improved opportunities for micro, small and medium-sized enterprises. By 2030, the country will have as competitive a business environment as any country in the Caribbean.

Alignment with National Policies

The MSME and Entrepreneurship Policy is in congruence with the following core national policies and framework:

- National Industrial Policy
- National Energy Policies
- Jamaica's Revised Trade Policy
- National Science and Technology Policy
- National Quality Infrastructure Policy
- National Culture Policy
- National Youth Policy: Jamaican Youth in Shaping the World
- National Policy Statement on Women
- National Policy for Persons with Disabilities
- National Sports Policy

Below is an extract from the Vision 2030 document encompassing the key National Outcomes and Strategies to which this policy is aligned:^{xxxv}

National Goals and Strategies

Goal 1: Jamaicans are Empowered to Achieve their Fullest Potential National Outcome 2: World-Class Education and Training

NATIONAL STRATEGIES	RESPONSIBLE AGENCIES
2-3 Ensure that the secondary school system equips school leavers to access further education, training and/or decent work	MOE HEART Trust/NTA PTAs
2-7 Ensure that adequate and high quality tertiary education is provided with emphasis on the interface with work and school	Ministry of Education (MOE) University Council of Jamaica Tertiary Institutions
2-8 Expand mechanisms to provide access to education and training for all including unattached youth	HEART MOE MIND Private sector partners
2-9 Promote a culture of learning among the general populace	HEART MOE JFFL
2-11 Strengthen the mechanisms to align training with demands for the labour market	MOE Training Institutions Employers

Table 6: Vision 2030 Strategic Framework – Goal 1 & National Outcome 2

The above strategies focus on ensuring that tertiary level education in Jamaica is internationally competitive in quality, encourages entrepreneurship and has specific relevance to the workplace.

Goal 1: Jamaicans are Empowered to Achieve their Fullest Potential
National Outcome #4 – Authentic and Transformational Culture

NATIONAL STRATEGIES	RESPONSIBLE AGENCIES
4-4 Integrate Jamaica’s nation brand into developmental processes	Office of the Prime Minister Ministry of Sports Ministry of Culture JAMPRO
4-5 Strengthen the role of sports in all aspects of national development	Ministry of Sports Institute of Sports (INSPORTS) National Sporting Associations

Table 7: Vision 2030 Strategic Framework – Goal 1 & National Outcome 4

4-4 Integrate Jamaica’s Nation Brand into Developmental Processes

Jamaica possesses a wealth of untapped Nation Brand equity, amassed from its cultural, historical, physical and human capital. The value of this Brand equity can be augmented by building Jamaica’s Nation Brand and integrating this asset into all aspects of national development. A properly managed national brand is an asset to all stakeholders, helping to: attract investment and talent; give a competitive advantage to producers and exporters; provide inspiration to Jamaicans at home and abroad; contribute to a culture of innovation; and safeguard national identity. The process of developing Jamaica’s Nation Brand has several well structured steps, including building a brand team, conducting a brand asset audit, defining and testing the brand, and implementing and monitoring the brand over time.

Selected Sector Strategies:

- Review and enhance laws and Intellectual Property (IP) framework to strengthen and protect the Nation Brand and to convey values, images and the reputation of Jamaica, including designs, music, trademarks, copyright, collective marks, geographical indications and certification marks
- Promote and use IP as a tool for economic development
- Improve policy framework to support Jamaica’s Nation Brand
- Establish institutions to undertake key roles in implementation of the Nation Brand

- Increase the capacity of existing organizations to monitor and regulate the use of the Nation Brand
- Undertake comprehensive National Branding for Jamaica
- Market and promote the Nation Brand
- Coordinate implementation of the National Branding Strategy with the Core Values campaign and the National Export Strategy

Goal 3: Jamaica’s Economy is Prosperous
National Outcome 8: An Enabling Business Environment^{xxxvi}

NATIONAL STRATEGIES	RESPONSIBLE AGENCIES
8-1 Ensure a facilitating business and institutional framework for business development	Ministry of Industry, Investment and Commerce
8-2 Increase access to capital	Ministry of Finance and the Public Service Ministry of Industry, Investment and Commerce
8-3 Use trade and foreign relations to create an enabling external environment for economic growth	Ministry of Foreign Affairs and Foreign Trade Ministry of Industry, Investment and Commerce
8-4 Strengthen investment promotion and trade facilitation	JAMPRO Ministry of Industry, Investment and Commerce Ministry of Foreign Affairs and Foreign Trade
8-5 Develop an efficient labour market	Ministry of Labour and Social Security Training Institutions Private Sector Companies and Associations Trade Unions Jamaica Productivity Centre
8-6 Develop the capabilities of MSMEs	Jamaica Business Development Corporation JAMPRO Small Business Association of Jamaica Micro-financing Institutions

Table 8: Vision 2030 Strategic Framework – Goal 3 & Outcome 8

8-1 Ensure a Facilitating Policy, Regulatory and Institutional Framework for Business Development

Vision 2030 Jamaica will improve our business environment by ensuring a facilitating policy, regulatory and institutional framework for business development through measures such as: improvements in customs; expanding e-Government; modernizing laws and regulations; and streamlining bureaucratic processes. This requires us to address and remedy each aspect of our business environment that represents a constraint to economic development. Each area will require an in-depth review of the existing conditions and the proposals that already have been made to improve them, as well as consideration of new approaches that may not yet have been considered. This National Strategy is supported by National Strategy 6-5 (Strengthen Public Institutions to Deliver Efficient and Effective Public Goods and Services) which provides the framework to improve the efficiency of services by the public sector with mechanisms to ensure accountability. This strategy will build on the existing initiatives already engaged in improving the business environment, including the Public Sector Modernization Programme and initiatives to streamline the planning approval process.^{xxxvii}

Selected Sector Strategies:

- Improve customs and clearance processes for imports and exports
- Improve and streamline bureaucratic processes for business establishment and operation
- Improve processes related to land ownership, titling and transfer
- Reform and modernize land use planning and development and environmental permit and licence systems
- Improve efficiency and effectiveness of systems for commercial dispute resolution
- Expand e-Government services and access
- Strengthen legal and regulatory framework for e-commerce and protection of intellectual property rights
- Increase consultation with and participation of stakeholders in the development of the policy, legal and institutional framework for business^{xxxviii}
- Rationalize the public sector agencies and institutions relating to business operations and approvals
- Review and revise policy, legal and regulatory framework to enhance the business environment
- Strengthen mechanisms to protect consumer rights

8-2 Increase Access to Capital

Financial resources are the currency of production. As our economy evolves, the financial needs of our productive sectors and enterprises are also evolving, along with the mechanisms for meeting these needs. Vision 2030 Jamaica addresses this evolution through plans that will support the diversification and refinement of the financial sector, as well as through the development of the business environment for all productive sectors. The growth of the productive sectors will be enhanced by improved access to financial capital, mediated through efficient financial markets which bring together suppliers and users of financial resources.^{xxxix}

Selected Sector Strategies:

- Develop and implement measures for expansion of the domestic capital market
- Provide a framework for diversification of the range of financial institutions and products^{xl}

8-3 Use Trade and Foreign Relations to Create an Enabling External Environment for Economic Growth

Trade and foreign relations provide an enabling external environment for economic growth in Jamaica by: providing access to large external markets that compensate for the small size of the domestic market; enhancing exchanges of technical, human and cultural resources; facilitating capital flows; strengthening relationships with sources of key economic resources including energy supplies; and supporting Jamaica's participation in all levels of global governance mechanisms and institutions. Vision 2030 Jamaica will enhance the role of trade and foreign relations in national development by strengthening our bilateral, regional and multilateral relations and improving the ability of domestic producers to take advantage of a favourable and enabling external environment.^{xli}

Selected Sector Strategies:

- Promote Jamaica's economic, social and environmental interests within the multilateral system
- Ensure successful creation, implementation and effective use of the Caribbean Single Market and Economy (CSME)
- Maintain and develop strategic coalitions and alliances at the WTO, including the Group of 33, Small and Vulnerable Economies Group and African, Caribbean and Pacific (ACP) countries
- Implement the Economic Partnership Agreement (EPA) between the EU and CARIFORUM including legislation, standards, and development support

- Strengthen strategic bilateral foreign and trade relations
- Maintain and enhance relationship with ACP countries
- Strengthen effectiveness of the Jamaica Trade Adjustment Team (JTAT) and Caribbean Regional Negotiating Mechanism (CRNM)
- Incorporate development issues including gender and environmental sustainability in trade Policy
- Strengthen key foreign relations capabilities including functional and technical cooperation, Participation in multilateral organizations, Diaspora relations and consular functions
- Undertake periodic review and refinement of trade policy
- Strengthen the involvement of the Jamaican Diaspora in national development^{xlii}

8-4 Strengthen Investment Promotion and Trade Facilitation

To take full advantage of the opportunities in the external environment created by favourable trade and foreign relations as well as by Jamaica's strong Nation Brand, we will place strategic emphasis on strengthening our national capabilities for investment promotion and trade facilitation. This decisive commitment to compete in global markets requires development of strong targeted investment promotion programmes and building the capacity of institutions involved in promoting investment and trade. A key approach under Vision 2030 Jamaica will be to increase the number and capacity of overseas missions in key markets and to improve the collaboration among agencies involved in the promotion of Jamaica, including the Ministry of Foreign Affairs and Foreign Trade, Jamaica Trade and Invest and the Jamaica Tourist Board.^{xliii}

Selected Sector Strategies:

- Market and promote Jamaica as a premier destination for investment
- Strengthen the capacity of investment and trade institutions

8-5 Develop an Efficient Labour Market

The National Strategy to develop an efficient labour market will involve addressing the factors that reduce the efficiency with which the supply and demand for labour are matched. This strategy is fundamental to improving the contribution of Jamaica's human capital to national prosperity. Steps will be taken to: ensure that education and training programmes equip workers with the skills demanded by a rapidly evolving economy; strengthen application of labour market signaling; improve the mechanisms to bring together the providers and buyers of labour services;

revise legislation and regulations to improve labour market flexibility; reduce youth unemployment; and ensure equitable participation in the labour market of all eligible Jamaicans. This National Strategy is complemented by National Strategy 2-11 to strengthen mechanisms to align training with the demands of the labour market.

Selected Sector Strategies:

- Promote industry involvement in the output of the education and training systems
- Promote work experience programmes at the secondary and post-secondary levels
- Broaden the geographical and occupational scope of Government Employment Services (GES)
- Encourage more private sector-led employment services
- Enforce regulation of the employment services industry to ensure its effectiveness and to minimize the exploitation of job seekers
- Strengthen and improve access to the Labour Market Information System (LMIS)
- Institute more circular and temporary planned migration programmes
- Introduce programmes to increase employment among youth and women
- Promote equity in the labour market
- Develop and promote flexible labour market arrangements, policies and legislation

8-6 Improve the Labour Environment to Enhance Labour Productivity and Worker Satisfaction

Jamaica's new economic model is based on increasing the productivity of its human capital. The National Strategy to improve the labour environment to support labour productivity and worker satisfaction is aimed directly at accomplishing this requirement. The relationships between employers, managers, trade unions and the work force will be improved, the conditions at the workplace will be enhanced to increase worker satisfaction and productivity, core labour standards will be respected, and payment systems will reinforce worker performance. At the national level, we will create an environment and culture in which the importance and sources of productivity are better understood and applied to create economic prosperity.^{xliv}

Selected Sector Strategies:

- Advance and enforce mechanisms for adequate social protection for workers
- Boost labour-management cooperation and good work practices
- Improve industrial relations mechanisms

- Promote performance-based pay and incentives systems
- Legislate and enforce the “decent work” agenda
- Develop and implement a national programme of productivity management
- Promote alternative working arrangements, through viable strategies that can reduce travel time for workers (e.g. telecommuting)
- Promote a national programme of re-socialization to improve work ethics, values, attitudes and behaviour among workers
- Promote the use of improved technology for greater productivity^{xlv}

8-7 Develop the Capabilities of Micro, Small and Medium-Sized Enterprises

Jamaica will enhance the role played by MSMEs in building the economy by developing their capacities and improving the channels through which they participate in economic activities. MSMEs are found in all productive sectors and benefit from the broad measures taken to develop these sectors. However, these enterprises have certain characteristics that require specific measures to meet their particular needs, which will be addressed under the Vision 2030 Jamaica – National Development Plan.

These measures include steps to: widen the channels through which MSMEs can obtain financing; develop the technical and organizational capacity of MSMEs; strengthen the capacity of the industry organizations that represent MSMEs including the Small Business Association of Jamaica (SBAJ); provide ongoing training programmes to build human capital in MSMEs; develop economic linkages to other MSMEs and to the formal sector; and implement programmes that will encourage more MSMEs to enter the formal sector over time.

Selected Sector Strategies:

- Provide training and capacity development for MSMEs
- Expand credit facilities for MSMEs
- Increase awareness and information on business opportunities and programmes for MSMEs
- Promote and develop entrepreneurship
- Increase and strengthen acquisition, analysis and application of data and information on MSMEs and the informal sector

- Enhance and streamline processes for formalization of informal enterprises and individuals
- Strengthen the capacity of industry organizations that represent MSMEs^{xlvi}

NATION OUTCOME 8 – AN ENABLING BUSINESS ENVIRONMENT					
PROPOSED OUTCOME INDICATORS	BASELINE	PROPOSED TARGETS			COMMENTS
		2012	2015	2030	
	2007 or Most Current				
Employment rate	89.8%	90%	92.5%	95 - 96%	Set by the Task Force on Labour Market.
Ease of Doing Business Index (Country Rank)	63	58	53	34	Target is for Jamaica to improve by at least 5 places by 2015, and to achieve levels of highest ranked Caribbean countries by 2030.
Labour Market Efficiency Index	4.34	4.50	4.60	≥4.75	Target is to achieve a score that will place Jamaica among the top 30 performers by 2030.

Table 9: Proposed Indicators and Targets for National Outcome No. 8^{xlvii}

CHAPTER 8

CREATING AN ENABLING BUSINESS ENVIRONMENT

1.0 *INFORMALITY*

1.1 **Policy Element: Informality of MSMEs**

The following are pre-requisites for firms to be considered “formal”:

• **Licenses and Registrations:**

- Firms that are formalized should possess the following:

- Tax registration number (TRN) and license to operate
- Expenses and income book
- Tax Compliance Certificate
- Payroll for businesses with two (2) or more employees

• **Tax Compliance:**

- Every firm should:

- Pay General Consumption Tax (GCT)
- Annually renew its operating license
- Declare income tax (with the exception of own-account workers with earnings below J\$120,432 per year)
- Make contributions to the National Insurance Scheme (NIS) and/or
- National Housing Trust (NHT)

- Firms with a payroll equal to or higher than J\$14,444

- Make contributions to HEART

a. Policy Issue: MSMEs Operating Outside the Formal System

A 2006 Report on Private Sector Development^{xlviii} indicates that the informal economy forms approximately 41% of the total economy in Latin America. Jamaica is no different, and previous studies by the World Bank and the IDB indicate percentages within the same range. Formalization is not an instantaneous process, and it requires public education, incentives, simplification of existing systems and ongoing support in order to achieve the goal of reducing the number of enterprises that operate outside of the formal

sector. The present body of knowledge indicates that the major barriers to formalization are: regulatory and administrative; fees and financial requirements; socio-cultural and privacy issues.

b. Policy Objective:

To reduce the level of informality in the MSME sector.

c. Policy Strategies:

- (i) MIIC, in collaboration with the COJ, will ensure that there is simplicity in the options available for business registration using Information and Communication Technologies (ICT).
- (ii) MIIC, through the Jamaica Business Development Corporation (JBDC) and Jamaica Promotions Corporation (JAMPRO), will continue to promote the marketing and developmental assistance that is available to firms that are registered.

2.0 ACCESS TO FINANCE

2.1 Policy Element: Lack of Adequate and/or Suitable Non-Traditional Collateral to Access Financing

a. Policy Issue:

The ability to access adequate and/or serviceable financing on the basis of available collateral has been cited in many studies as “the most important factor determining the survival and growth of MSMEs in both developing and developed countries.”^{xlix} Here, “adequate” speaks to sufficiency in terms of the amount of money that can be borrowed, which is limited by the low value of the collateral, while “serviceable” refers to the ease with which principal can be repaid and interest paid. In an understandable attempt to minimize the duration of their exposure, lenders may be inclined to impose prohibitively high interest rates and short loan tenures against security that is not sufficiently valuable or “fixed” (long term) in nature.

Based on the assets that MSMEs would have available to use as security, the typical “commercial” opportunities available to them to access funding are limited. The characteristic business aspirant may possess little by way of “fixed assets” such as

unencumbered real estate and motor vehicles. Often, the only articles available to qualify as collateral are items of comparatively lower monetary value such as consumer durables. The challenge of collateral inadequacy is of course greatest for Micro-Enterprises (MEs), the owners of which tend to be least likely to possess the necessary collateral and appropriate or reliable financial documents necessary to acquire requisite funding. As a result, Micro and Small Enterprises (MSEs) are forced to rely on their own savings and/or informal sources of credit; the latter being particularly costly. In the literature, it has been agreed that “self-financing from plough-back of profits appears almost the sole road to expansion.”¹

b. Policy Objective:

To introduce financing options that are less dependent on the provision of traditional collateral, since, from the perspective of any given MSME, it is hardly possible in the short term to increase either the quantity or quality of what is usually available as collateral.

c. Policy Strategies:

- (i) The Government will promote the on-lending of funds to Micro-Enterprises without the need for traditional collateral. Government, through JBDC, will continue to provide financing for the business clusters. The group guarantee will eliminate the need for individual collateral.
- (ii) The Government will lobby private lending institutions to explore the viability of the business idea, rather than focus on traditional collateral. This arrangement will be formally addressed under the Secured Transaction Framework.
- (iii) MIIC and JBDC will work with the PSOJ and the Jamaica Bankers Association (JBA) to explore the possibility of introducing innovative financing options. These include “Factoring” where the accounts receivable of the MSME is used as collateral, or “Floor Planning” where the inventory of the MSME is used as collateral until the sale is made.

- (iv) MIIC and the Jamaica Intellectual Property Office (JIPO) will continue to work collaboratively to lobby the financial sector in order to promote the use of Intellectual Property as a type of collateral.

2.2 Policy Element: Supply of Credit

a. Policy Issue:

The critical policy issue is the lack of supply of credit from financial institutions, and the limited options available to MSMEs.

Micro-loans tend to have a high administrative cost per dollar loaned, which sometimes deter businesses from accessing these loans. The cost per dollar loaned is high since the processing cost for a small loan is nearly the same as a large loan. More importantly, collection from Micro-Enterprises has to be weekly, or at most, fortnightly, as they do not have the discipline to save towards the monthly debt service.

b. Policy Objective:

To facilitate an increase in the supply of credit to micro and small enterprises.

It should be emphasized that the objective is not to provide Micro- Enterprises with funds at subsidized interest rate, but rather, to ensure that credit institutions will find it financially attractive to enter the market and extend credit to Micro-Enterprises.

c. Policy Strategies:

- (i) The Government should recognize micro-credit institutions that are not deposit-taking but lend their own resources to micro-enterprises.
- (ii) Government financing entities will continue to provide funding to micro-credit institutions to facilitate lending.
- (iii) Public financial institutions should provide loan capital at highly subsidized interest rates to institutions that are willing to lend to the micro sector.
- (iv) MIIC and the Planning Institute of Jamaica (PIOJ) will source a special Line of Credit at a concessionary rate and make these funds available for on-lending to the productive sector.

- (v) GOJ and the private sector will establish a partnership to provide “angel financing” or “venture capital” for new businesses.
- (vi) The Government will facilitate the establishment of a Credit Bureau to furnish financial intermediaries with the necessary credit information to assist in their assessment of the credit worthiness of the MSMEs, and by extension, their ability to service loans.

2.3 Policy Element: High Interest Rates for MSME Loans

a. Policy Issue:

MSMEs are more sensitive to high interest rates, and in a globally competitive environment, are unable to sustain high debt service. Funding provided by DBJ through the approved financial institutions (AFIs) is subsidized. However, greater volume of funds is required to expand the pool of funds available to MSMEs.

b. Policy Objective:

To facilitate lower interest rates to MSMEs.

c. Policy Strategies:

- (i) The Government will continue to provide subsidized funds for retailing through the AFIs.
- (ii) MOFPS and PIOJ will attempt to identify sustainable source of funds to channel to state-owned financial institutions, significantly expand the pool of subsidized funds for on-lending through the AFIs until the interest rate in the market is reduced to internationally competitive levels.
- (iii) MOFPS and MIIC will encourage the JBA to provide loans to SMEs that are desirous of purchasing land or property for business use at a rate that is below what is offered for the purchase of residential property. Monitoring mechanisms will be put in place so that the entity operating at the specified location is executing the activity that it is registered to do.

3.0 TAXATION & INCENTIVES

a. Policy Issue:

MSMEs face a myriad of constraints related to taxation which inhibit their growth and ability to compete. The Government should provide incentives to MSMEs, in keeping with trends in the global economy to facilitate sustainable growth and competitiveness. The Tax Reform initiative should be used as an opportunity to revise the taxation and incentives framework so that it is more conducive to start and expand a business.

b. Policy Strategies:

- (i) Under the Money Lending Act, micro lending institutions cannot lend above 25% without obtaining exemption from the Ministry of Finance. The Government should not restrict interest rates, as prescribed under the Money Lending Act, for micro-credit institutions. Interest rate should be liberalized with respect to the micro credit institutions.
- (ii) The Ministry of Finance and the Ministry with portfolio responsibility for Information should mount a major and sustained public education/social marketing programme to change the attitudes of Jamaicans towards the payment of taxes, the benefits to the country when the tax base is broadened, and how the GOJ can support the MSME sector if revenue inflows increase.
- (iii) The Government should limit licensing and permits to those activities where it is justified. Beneficiaries of Government support should be those that are tax compliant.
- (iv) The Government should explore the feasibility of a flat tax for non-tax paying, self-employed individuals and micro enterprises, paid annually, for a fixed period until they are required to commence the filing of tax returns scheduled to be implemented.
- (v) There should be no retroactive taxation for businesses that formalize and are compliant since formalization.
- (vi) Tax Administration of Jamaica (TAJ) should license accountants and use them to make assessment of the corporate tax to be paid annually by SMEs whose sales are below a prescribed level. The SME would make payment, say quarterly, without the need for

audited financial statements but would be subject to audit by the TAJ. The assessment should be based on profit and the number of employees. The firm would make payment annually. At the next audit, the TAJ would refund, increase or keep the assessment at the same level. This should reduce the time the business owner has to spend to undertake this activity or the monthly cost of outsourcing these services.

- (vii) Start-up micro-enterprises who self-declare that their total assets are less than J\$1,000,000, should be automatically exempted from paying taxes for the first two (2) years of operation.
- (viii) The Government will explore the affordability of eliminating double taxation on dividends for non-listed companies to encourage re-investment for expansion.
- (ix) The Government will expand Credit Guarantee Schemes that have less demanding collateral requirements subject to resource availability.
- (x) The Government will explore the feasibility of Loan Default Insurance to offer comfort to creditors.
- (xi) The Government and the private sector will explore the feasibility of establishing a partnership to provide “Angel Financing” or “Venture Capital” for businesses.
- (xii) The Government will re-introduce the tax waiver on renewable energy products as soon as it is able to afford it to enhance the growth and competitiveness of MSMEs and reduce reliance on fossil fuels.

4.0 THE BUSINESS ENVIRONMENT

4.1 Policy Element: Improving the ease of doing business

1. Paying taxes
2. Trading Across Borders
3. Enforcing contracts
4. Registering property
5. Starting a business

a. Policy Issue:

It is difficult to do business in Jamaica given the existing transaction time, cost, et al. There is a high level of bureaucracy in the system which retards the development and growth of MSMEs, and injection of investments. This has affected the nation's ranking in the annual "Doing Business Report."

b. Policy Objective:

To reduce red tape and inefficiencies across the system.

c. Policy Strategies:

- (i) Establish a special team which will work in tandem with public and private sector entities to reduce bureaucracy and increase efficiency.
- (ii) Institute a rigid monitoring and evaluation system to measure progress.
- (iii) Greater use of technology for MDAs which provide services to clients.
- (iv) Repeal and amend existing laws, and introduce new laws (where necessary) to reduce bureaucracy, improve efficiency, and facilitate growth of businesses.

5.0 TRADE, FOREIGN RELATIONS AND INVESTMENT PROMOTION

5.1 Policy Element: Using Trade, Foreign Relations and Investment Promotion to achieve sustainable economic growth

a. Policy Issue:

Trade and foreign relations can be used as a strategic tool to transform the Jamaican economy by identifying opportunities for MSMEs to penetrate external markets with their products and services. It is imperative that the MIIC, in partnership with the Ministry of Foreign Affairs, Ministry of Agriculture, JMA, JEA, and other key stakeholders, work harmoniously to capitalize on these opportunities. It is imperative that local technocrats institute a disciplined approach to reviewing existing agreements to determine potential benefits for MSMEs. In addition, new agreements must be carefully and skillfully negotiated to ensure that Jamaica is not marginalized.

b. Policy Objective:

To strengthen Jamaica's bilateral, regional and multilateral relations, while simultaneously promote local and foreign investment, and improve the ability of MSMEs to take full advantage of a favourable and enabling internal and external environment.

c. Policy Strategy:

- (i) Revise Jamaica's National Trade Policy to ensure that it provides an enabling framework for MSMEs.
- (ii) Incorporate development issues including gender and environmental sustainability in Trade Policy.
- (iii) Undertake periodic review and refinement of the National Trade Policy.
- (iv) Promote Jamaica's economic, social and environmental interests within the multilateral system.
- (v) Ensure successful creation, implementation and effective use of the CSME.

- (vi) Maintain and develop strategic coalitions and alliances at the WTO, including the Group of 33, Small and Vulnerable Economies Group and ACP countries.
- (vii) Implement the Economic Partnership Agreement (EPA) between the EU and CARIFORUM, including legislation, standards, and development support.
- (viii) Strengthen strategic bilateral foreign and trade relations.
- (ix) Maintain and enhance relationship with ACP countries.
- (x) Strengthen effectiveness of JTAT and the CRNM.
- (xi) Strengthen key foreign relations capabilities, including functional and technical cooperation.
- (xii) Participate in multilateral organizations, Diaspora relations and consular functions.
- (xiii) Promote investments in strategic, game-changing areas such as energy, ICT, sports, et al.
- (xiv) Strengthen the involvement of the Jamaican Diaspora in national development.

CHAPTER 9

ENHANCING BUSINESS DEVELOPMENT SUPPORT

6.0 TRAINING AND DEVELOPMENT

6.1 Policy Element: Lack of a Comprehensive Training and Development Framework for the MSME Sector

a. Policy Issue:

Training and development is pivotal to the growth and expansion of the MSME sector. Presently, GOJ provides this service through the JBDC and JAMPRO. JBDC offers:

- Business Advisory Services
- Technical Services
- Industrial Secretariat Services
- Business Incubation
- Marketing Assistance
- Financial Support Services

JAMPRO offers Investment Promotion as well as Trade and Business Development Services. However, the reach of both agencies is limited and surveys indicate that only 5% of the MSME sector is receiving support from either agency. JBDC, in an effort to expand its services, has established Business Information Centers across the island. Presently there are eleven (11) Centres – i.e. Jamaica Business Information Centres (JAMBICs), however, these are deemed to be inadequate based on the number of MSMEs in Jamaica. Additionally, some of the centers are not fully staffed and rely on the support of partners such as the JCC.

b. Policy Objective:

To increase access to training and development by MSMEs in areas that will address specific challenges.

c. Policy Strategies:

- (i) The HEART Trust NTA will become the Certifying Authority and develop training programmes and a manual for training Master Trainers who in turn will train others. JBDC will train and accredit Master Trainers from Community-Based Organizations (CBOs), Faith-Based Organizations (FBOs), and private enterprises. In order to ensure that quality is maintained, JBDC will develop a system for monitoring and evaluation. Master Trainers will have to do a specified number of hours of training in order to be certified, and Master Trainers will deliver training based on the stated protocols. Additionally, Master Trainers are required to do training updates on a regular basis in order to maintain their certification.
- (ii) Institute a Quality Award System for the three (3) segments of the MSME sector - micro, small and medium.ⁱⁱ Solicit support from established entrepreneurs in each of the sectors and ask them to provide one (1) year of mentorship for the winners in each category.
- (iii) Establish SME Business News Web Portal^{liii} that will provide ongoing mentorship for members of the sector. There would be a regulated forum where registered members and resource persons can share information via the Internet.
- (iv) Host quarterly idea exchange sessions for specific clusters. In addition to the exchange of ideas, there should be relevant presentations. These may be hosted on a county-wide basis (e.g. in Montego Bay, May Pen and Kingston).
- (v) JIPO will partner with the Ministry of Sports and other key stakeholders in sensitizing sportspersons and sporting clubs and organizations on the need to protect intangible assets such as copyrights, trademarks, patents and rights.

6.2 Policy Element: Skill Levels of MSMEs

a. Policy Issue:

The establishment, growth and viability of MSMEs have been hampered by the absence of adequate technical skills on the part of owners/managers as well as employees. They sometimes lack the necessary computer software and training, such as accounting and human resource management to efficiently carry out their business procedures. E-training

is not widely embraced by MSME operators, and as such, they are often unaware of new technical skills which can be beneficial to their enterprises. Additionally, several sectors need to modernize and retool as well as apply greater levels of science and technology.

b. Policy Objective:

To increase the level of technical skills in the MSME sector.

c. Policy Strategies:

- (i) Through Public-Private Partnership, a structured and sustainable programme will be implemented, providing training to MSMEs in key areas such as: *Business Planning, Cash Flow Projections, Management, Book-Keeping, Inventory Management, Protection of Intellectual Property, Standards, Market Penetration*, et al., with greater “hand-holding” given to businesses in the infancy stage. The idea is to provide assistance from “*Concept to Market*,” and transform MSMEs into high-growth enterprises.
- (ii) JBDC will encourage strategic alliances among MSMEs to strengthen their technical capacity and reduce their cost of training.
- (iii) JBDC and JAMPRO will partner with other agencies and undertake technical workshops with the aim of showcasing new and emerging methods of business operations.
- (iv) MIIC will facilitate the compilation of an online directory of available technical training assistance resources. This information will be made available on the MSME Business News Web Portal.
- (v) The MOE will accelerate the wider incorporation of technical/vocational training at the secondary and tertiary levels of the educational system.
- (vi) The MOE will promote the enhancement of the Career Advancement Programme (CAP) to facilitate application of technical learning.
- (vii) Through libraries, youth clubs, the 4H Clubs and other relevant outreach programmes, the MOE will promote awareness of the importance of technical skills in the development and growth of Micro and Small Enterprises.

7.0 MENTORSHIP PROGRAMME

7.1 Policy Element: Absence of a structured Mentorship Programme

a. Policy Issue:

In order to transform MSMEs into entrepreneurial entities, a critical strategy needed to support the promotion of entrepreneurship across Jamaica is the implementation of a structured and sustainable Mentorship Programme. Larger and more experienced firms can impart critical knowledge and experience.

b. Policy Strategies:

- (i) Utilize entrepreneurs, senior executives and professionals with proven track record in a particular field.
- (ii) Organize educational activities such as seminars, workshops and visits, etc. for mentors and mentees for experience sharing and business networking purposes.
- (iii) MIIC will promote mentorship and online business counseling programmes to encourage the development of the sector.
- (iv) MIIC will establish Quality Based Competitions in the MSME sector, and the reward will be mentorship from successful business leaders.

8.0 MARKET ACCESS

8.1 Policy Element: Low Demand for Traditional Goods and Services produced by MSMEs

a. Policy Issue:

Often, low demand for traditional goods and services available from MSMEs is primarily due to improper or insufficient marketing and a lack of understanding of the sector(s) in which they are competing. Additionally, the products and services of MSMEs are usually not tailored to niche or preferential markets and this impedes their performance in markets which have the presence of several larger businesses. Product differentiation

amongst MSMEs is also a factor which hinders the competitiveness of Jamaican MSMEs competing within a global marketplace.

The demand for products produced by MSMEs is also negatively affected by poor packaging and inadequate conformity to standards. According to Rudjito³, most MSMEs do not have an understanding of the market in which they operate in terms of its size, the kind of products that are demanded, and the form of packaging and distribution expected. He also pointed to the weaknesses in the bargaining power of MSMEs, especially when dealing with relatively large-scale suppliers and buyers. However, Rudjito noted that even if MSMEs have an understanding of the market they would sometimes be challenged by the difficulties faced in procuring raw materials.^{liii}

b. Policy Objective:

To increase the market share for goods and services produced by MSMEs.

c. Policy Strategies:

- (i) MIIC, through its relevant agencies, JAMPRO and the Jamaica Marketing Company (JAMCO), will continue to disseminate information to local MSMEs about the market requirements in key international markets.
- (ii) MIIC, in partnership with the MOFAFT, through its overseas missions and consulates, will facilitate the promotion of non-traditional exports such as the creative arts, ethnic food, and apparel.
- (iii) MIIC will also continue to provide an outlet for the exposure and retail of products by MSMEs. Emphasis will be placed on the supply of goods to areas with a notable Caribbean Diaspora presence.
- (iv) MIIC will facilitate the promotion and strengthening of agencies which play a vital role in the areas of standards setting, package design and marketing.

- (v) MIIC will seek to market and showcase the products and services of MSMEs through the World Wide Web, and will continue to strengthen agencies which play a key role in the identification of products with a high export potential.
- (vi) MIIC will support entities such as the Jamaica Manufacturers' Association (JMA), Small Business Association of Jamaica (SBAJ) and other umbrella business associations, in the promotion of MSME-produced goods and services among children in schools, so as to develop early and hopefully, life-long loyalty to local products.

8.2 Policy Element: Inadequate Marketing and Communication Skills of MSMEs

a. Policy Issue:

Demand for the goods and services from MSMEs are generally hindered due to the inability of MSMEs to effectively market their goods and services. Common marketing problems faced by MSMEs include having a limited customer base, lack of access to marketing resources, a lack of formalized planned marketing plans and innovative marketing skills.^{liv}

b. Policy Objective:

To increase the marketing and communication skills of MSMEs.

c. Policy Strategies:

- (i) GOJ will seek to encourage the use of technical training programmes available through both private and public sector Business Development Service (BDS) providers.
- (ii) GOJ will especially seek to promote the awareness of BDS providers which focus on the improvement of marketing skills. Such facilities include the Jamaica Business Opportunity Service (JBOS), Jamaica Trade Point (JTP), the Biz Marketing Programme and Business Information Points.
- (iii) GOJ will facilitate the use of ICT as an avenue for MSME operators to access information necessary to facilitate “self-paced” empowerment and knowledge.

Additionally, JAMPRO and JBDC will encourage the MSMEs to use online social networks such as Facebook and Twitter, to promote their products.

8.3 Policy Element: Establishing Business Clusters/Centres

a. Policy Issue: The Need for the Cluster Approach

Business clusters have been identified as important in the areas of business development, competitiveness, productivity, knowledge-sharing, marketing and networking^{iv}. Business clusters provide MSMEs with the opportunity to operate in an environment with interconnected businesses. Through this interconnectivity, businesses have an opportunity to form valuable relationships which may lead to greater levels of competitiveness.

The need for the establishment of business clusters in Jamaica has been verified by the JBDC and JAMPRO.

b. Policy Objective:

To encourage the formation of business clusters as a means of developing the MSME sector.

c. Policy Strategies:

- (i) There will be a collaborative effort among the state, the private sector and academia to deliver a pointed and persistent education programme to inform MSMEs of the benefits of being a part of a cluster.
- (ii) MIIC in partnership with other MDAs will seek the cooperation of real estate owners/developers to designate parcels of land (particularly those with existing suitable building infrastructure) to be leased for small business development.
- (iii) Additionally, Government will allocate prime or other crown land for the development of business clusters, centres and zones, with special emphasis on communities with high rates of unemployment.

9.0 BUSINESS SUPPORT SERVICES

9.1 Policy Element: Unfamiliarity with Available Business Support Services

a. Policy Issues:

The MSMEs' challenges are further compounded by their severely limited managerial and promotional skills, including social skills. This vital economic sector is encumbered by a 'lack of' support service facilities, not because these services do not exist, but because the sector that needs it most is unaware of its existence.

b. Policy Objective:

To sensitize MSMEs on the existence of business support services.

c. Policy Strategies:

- (i) JBDC will partner with the Jamaica Exporters' Association (JEA) and the Jamaica Chamber of Commerce (JCC) to increase the number of Information Centres.
- (ii) JBDC will partner with the Social Development Commission (SDC), Faith-Based Organizations (FBOs) and Community-Based Organizations (CBOs) to promote its service offerings.
- (iii) MIIC will partner with the Jamaica Information Service (JIS) and other media houses to further publicize the available services offered by MSMEs.
- (iv) The Government will partner with the private sector to train businesses so that their social skills can be enhanced. Training will also be provided in the area of customer service.
- (v) MIIC, in partnership with the Consumer Affairs Commission (CAC) should sensitize MSMEs on the rights of consumers under the Consumer Protection Act, et al.
- (vi) Promote the Jamaica Stock Exchange (JSE) (including the Junior Market), and educate businesses on its operations, and how to be listed.

10.0 STANDARDS, CERTIFICATION AND ACCREDITATION

10.1 Policy Element: Promoting standards, quality and safety of products and services

a. Policy Issue:

MSMEs need to be more aware of standards, certification and accreditation issues, given their importance in enabling businesses to access local and international markets. It is mandatory that the food sold on the European market is certified by an accredited laboratory. In addition, the signing of the Food Safety Modernization Act (FSMA) by President Barack Obama, means that food entering the USA must meet basic standards.

b. Policy Objective:

To improve the awareness of MSMEs as it relates to standards, certification and accreditation.

c. Policy Strategies:

- (i) BSJ to sensitize MSMEs on the need to be compliant with basic standards that govern their trade, including the criteria to achieve full compliance.
- (ii) National Certification Body of Jamaica (NCBJ) to educate MSMEs on the need for their management systems to meet International Standards Quality (ISO) 9001:2008 and Environment – ISO 14001:2004.
- (iii) Jamaica National Agency for Accreditation (JANAAC) to provide guidance to laboratories, certification and inspection bodies in facilitating their accreditation.

CHAPTER 10

PROMOTING ENTREPRENEURSHIP

11.0 PROMOTION OF ENTREPRENEURSHIP

11.1 Policy Element: Inadequate Entrepreneurial Skills

a. Policy Issue:

MSMEs lack general proprietary skills which hamper their development and growth. It is vital their entrepreneurial skills, values and attitudes are strengthened, so that innovation, creativity, and wealth accumulation are permanent features of their operations. The idea is to shift the paradigm from merely “buying and selling” and breaking-even, to high performance businesses which can contribute towards transforming the Jamaican economy.

Vision 2030 Jamaica recognizes the deficiency in the training system. According to the nation’s strategic framework:

“The training system does not sufficiently promote a culture of entrepreneurship. It is important that this system presents entrepreneurship as a possible and desirable outcome of training.”

b. Policy Objective:

To inculcate a culture of entrepreneurship through sustainable capacity building and public education programmes.

c. Policy Strategies:

- (i) Utilize entrepreneurship as a catalyst for transforming Micro, Small and Medium-Sized businesses into high-growth enterprises.
- (ii) The MOE will introduce entrepreneurship to the curricula of all primary, secondary and tertiary institutions. Included in the curricula of the institutions, should be a practical

component where students are encouraged to form businesses and gain useful skills from doing what they have been taught.^{lvi}

- (iii) GOJ will expand the current Young Entrepreneurship Programme and encourage all business students to establish businesses in their institutions.
- (iv) The Government will partner with the MSME Alliance, SBAJ, PSOJ, JCC, JMA, JEA, including other key private sector entities, including academia, to promote entrepreneurship throughout the country, not just as a means of survival, but highlighting its possibilities for generating wealth and transforming the economy.
- (v) MIIC will lead the development of a Strategic Plan which will facilitate the implementation of a structured programme which will see the delivery of ongoing support to MSMEs from “*Concept to the Marketplace*” to transform MSMEs into high-growth enterprises - i.e. *Business Planning, Cash Flow Projections, Managing a Business (JBDC), Innovation (SRC), Intellectual Property (JIPO), Standards (BSJ), Market Penetration (JAMPRO)*, et al.
- (vi) In order to promote the principle of entrepreneurship, MIIC will establish a MSME Business News Portal. The Portal will provide information about best practices, creative or innovative steps local MSMEs are undertaking, and services that are available to the MSME sector.

12.0 INNOVATION AND PRODUCTIVITY – THE ROLE OF SCIENCE AND TECHNOLOGY AND RESEARCH AND DEVELOPMENT

12.1 Policy Element: Low Utilization of Technology

a. Policy Issue:

The literature states that technology is “Human innovation in action that involves the generation of knowledge and processes to develop systems that solve problems and extend human capabilities.”^{lvii} The utilization of suitable technology in any organization is a very important determinant of that company’s viability and sustainability in a competitive global market. Unfortunately, most MSME operations tend to be

characterized by low technology usage. There are a few who are very innovative and who have devised systems/techniques that result in considerable growth.

Science and technology and research and development are key drivers of economic growth. Government entities such as the SRC play a critical role in this regard. A structured and sustainable approach, as well as the provision of adequate financing is required to achieve meaningful results. SRC must be strategically positioned as the driver of innovation in Jamaica.

According to data provided by a 2008 study on MSMEs:^{lviii}

- Many micro and small firms tend to be intimidated by the concepts of R & D and technology-driven innovation
- There is insufficient recognition of the numerous different types of incremental improvements in practice that constitute innovation
- The country has a very low global rank in patents for inventions
- High-technology exports represent a very low proportion of total goods exports
- The sophistication of Jamaican production processes is well below the world average
- More than half of the microenterprises, and almost 40% and 30% of small and medium-sized enterprises surveyed in 2008 do not use any form of ICT
- Only 14.4% of the MSMEs surveyed in 2008 use a computer in their business, 13.8% use email, and 8.6% have a website
- Only 5.4% of the MSMEs surveyed sell their goods and services online
- Only 8.2% of the MSMEs surveyed are aware of the innovation and technology services provided by suppliers, and 0.3% uses these services

b. Policy Objective:

To foster greater awareness and introduce the application of higher levels of technology in MSMEs.

c. Policy Strategies:

- (i) Provide adequate resources (human, technical and financial) to the SRC and empower that agency to be the driver of innovation in Jamaica.

- (ii) MIIC will partner with the MSME umbrella organizations and will actively promote awareness of the importance of technology in today's competitive global marketplace. One of the areas that will be given priority is the promotion of marketing through the online social networks and the development of promotional websites.
- (iii) In the short term, HEART Trust/NTA will deliver on-the-job sensitization and training modules. Emphasis will be placed on how to make the existing technology more efficient rather than the immediate introduction of new "high-tech" solutions with their attendant costs and learning curves.
- (iv) JBDC will also institute an equipment-leasing programme for MSMEs, and provide the practical exposure and training for the managers and staff so as to enhance their ability to work with the technology. This will be facilitated by SRC, JBDC and possibly HEART Trust/NTA for western and central Jamaica.
- (v) The establishment of Business Incubators and Entrepreneurial Production Centres (EPCs) will assist in addressing the technology deficit. In the case of the incubators, those businesses that graduate will have the opportunity to compete nationally, regionally and eventually globally.
- (vi) Over the long term, emphasis will be placed on the Ministry of Education (MOE) designing school curriculum (from pre-primary level) to inculcate, throughout the society, an awareness and comfort in using technology. This has been done in other countries such as Japan and India.

CHAPTER 11

TACKLING CROSS-CUTTING ISSUES

13.0 PROMOTION OF SOCIAL CAPITAL

13.1 Policy Element: Using Social Capital as a Vehicle for MSME Development

a. Policy Issue:

MSMEs are faced with several social challenges which reflect a deficiency in certain social capital. These include low levels of education and poor socialization, resulting in interpersonal conflicts, lack of social cohesion, peace and harmony.

b. Policy Objective:

To foster greater cohesiveness and promote the benefits of information and knowledge sharing, unity and cooperation.

c. Policy Strategy:

MIIC, in collaboration with other Ministries, Departments and Agencies (MDAs) and MSME umbrella organizations will facilitate the development of social capital among Micro-Enterprises, through training programmes aimed at:

- (i) strengthening social cohesiveness, unity, cooperation, trust and solidarity;
- (ii) improving knowledge sharing and information symmetry;
- (iii) building structured networks, and
- (iv) improving experience sharing and best practices.

14.0 EQUALITY

14.1 Policy Element: Adoption of an “all inclusive” approach

a. Policy Issue:

The society must be cognizant of the differences that exist between males and females. Each gender responds to, and is affected differently by the same policies. To extend

equal rights to all MSME operators, it will be important to ensure equality in levels of remuneration, employment, conditions of labour and civic involvement. Studies show that gender influences how a business operator organizes human capital, investments, social networks and goals. These factors in turn affect business structure and success. It is therefore necessary that there be no gender segregation as it relates to the development of MSMEs.

According to the 2010 Global Entrepreneurship Report: *“Entrepreneurship in a society should contain a variety of business phases and types, led by different types of entrepreneurs, including women and underrepresented age groups.”*

In addition, the policy must embrace all youths, including unattached youths, diverse age groups, and all members of the social strata.

b. Policy Objective:

To encourage equal opportunities for all, in order to unlock their fullest potentials.

c. Policy Strategies:

- (i) Partner with the Ministry of Youth to implement the Youth Entrepreneurship Strategy in an attempt to create an enabling environment for the development of successful and sustainable youth-led businesses.
- (ii) MIIC to monitor implementation of policy to ensure that assistance to MSMEs provides equal opportunity for all genders, marginalized groups, and diverse age groups.

15.0 ENERGY EFFICIENCY

15.1 Policy Element: High Energy Cost

a. Policy Issue:

The high cost of energy poses a serious threat to micro, small and medium-sized businesses. This perennial problem has led to business closure, retarded the growth of businesses, and reduced competitiveness.

b. Policy Objective:

The Government will implement the various Energy Policies to diversify the country's energy supply and options (renewable energy, et al.).

c. Policy Strategies:

- (i) The Government will sensitize MSMEs on sound energy management.
- (ii) The Government will provide incentives to MSMEs which procure and outfit their businesses with energy efficient technology. This should become a permanent feature.

16.0 ENVIRONMENTAL PROTECTION

16.1 Policy Element: Environmental Degradation

a. Policy Issue:

The business practices of some MSMEs pose a serious threat to the environment. Business operations must consider fundamental issues such as pollution, ozone depletion, flooding (as a result of dumping in gullies, drains, et al.), and climate change.

b. Policy Objective:

MSMEs must ensure that proper systems are in place, including the concomitant culture, to ensure environmental protection.

c. Policy Strategies:

- (i) The Government will sensitize MSMEs on the need to protect the environment.
- (ii) The Government will ensure that the revenue garnered from the environmental levy will fund recycling activities, and other projects and programmes which serve to protect the environment.
- (iii) The business operations of MSMEs must be in conformity with National Environmental Policies and Legislations.

17.0 EMPIRICAL RESEARCH

17.1 Policy Element: Need for continuous and comprehensive empirical data on MSMEs

a. Policy Issue:

There is a paucity of data on MSMEs. There is need for continuous and comprehensive data and studies to adequately inform policy direction, including project and programme development.

a. Policy Objective:

To improve the public sector's capacity to collect periodic data on MSMEs.

c. Policy Strategy:

- (i) Make provision in Annual Budgets and secure grant funding from donor agencies to:
- Empower STATIN to routinely collect data on MSMEs. Funding to be used to engage technical staff, undertake fieldwork, et al.
 - Provide funding to academia to allow them to provide support to the government in undertaking research and studies

18.0 PUBLIC EDUCATION PROGRAMME

18.1 Policy Element: Lack of vibrant and sustainable public education

a. Policy Issue:

MSMEs lack awareness of the factors which impede their development and growth, including available services, programmes and initiatives.

b. Policy Objective:

To improve the knowledge of MSMEs with respect to issues which retard their viability, including service and programme offerings within the public and private sectors.

c. Policy Strategies:

- (i) The Government will partner with the private sector to implement a structured and sustainable public education programme which provides critical and relevant information

to MSMEs concerning factors which retard their performance, as well as the myriad of available services and initiatives.

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CHAPTER 12

MONITORING AND EVALUATION

In order to achieve the goals outlined in the Policy, an Action Plan (aligned to *Vision 2030 Jamaica: National Development Plan*) will be crafted. This will be done via a partnership between both the public and private sectors. The Plan will outline Key Performance Indicators and Targets, including the responsible entities. This work programme must be reflected in the Strategic Business Plan of each Ministry, Department and Agency, with a concomitant Quarterly Review System in place. A rigid monitoring and evaluation system will also be developed and implemented to ensure that the Strategic Objectives are met.

Government may from time to time make changes, modifications and additions to this Policy, and may review and update it at certain intervals to meet the changing needs of the MSME sector. Revision of the Policy will be conducted every three (3) years, and a progress and analysis report with respect to the impact and achievements will be presented to inform such review and modifications.

ⁱ The term “decent jobs” has been popularized by the International Labour Office, among others, and refers to jobs characterized by adequate wages, acceptable working conditions, and such other positive features as may be important to the employee.

ⁱⁱ Hallberg, 2001

See also: Tenant, David (2008). *Policy Report on the MSME Sector – Suggestions for Initiatives to be included in a National Policy Framework for the Jamaican Micro, Small and Medium Enterprise Sector*

ⁱⁱⁱ Vision 2030 Jamaica – National Development Plan, p. 186

^{iv} Ayyagari, Meghana (August 2003). *Small and Medium Enterprises across the Globe: A New Database*, World Bank Policy Research Working Paper 3127

^v A physical production criteria and sales value are used to evaluate the EVAO.

^{vi} See South Africa’s National Small Business Act, 1996 <http://www.info.gov.za/acts/1996/a102-96.pdf>

^{vii} Bygrave, W. D., & Hofer, C. W. (1991, Winter). *Theorizing about Entrepreneurship. Entrepreneurship Theory and Practice*, 16(2), 13-22. (c970746)

^{viii} <http://www.businessdictionary.com/definition/entrepreneurship.html>

^{ix} <http://www.quickmba.com/entre/definition/>. *A Definition of Entrepreneurship*

^x Audretsch, D.B., C.K. Max and E.L. Eric (2006). *Entrepreneurship and Growth*, New York: Oxford

University Press

^{xi} Lester, L.R. and S. Leigh, 2007. *Trading Places – SMEs in the Global Economy*, Ashcroft International Business School, Anglia Ruskin University, Cambridge, UK

^{xii} Asghar, Afshar Jahnshahi; Nawaser, Khaled; Paghaleh, Morteza Jamali and Khaksar, Seyed Mohammad Sadeq: 2011 *The Role of Government Policy and the Growth of Entrepreneurship in the Micro, Small (&) Medium-sized Enterprises in India: an Overview*

^{xiii} Beck, Thorsten, Demirguc-Kunt, Asli & Levine, Ross (2005). *SMEs, Growth and Poverty: Cross Country Evidence*, Journal of Economic Growth, Volume 10, Number 3, 199-229

^{xiv} Small Enterprise Assistance Funds (2005). *The Development Impact of Small and Medium Enterprises: Lessons Learned from SEAF Investments*. Washington, DC. Online at: <http://www.seaf.com/impact.htm>.

Among the results of the study done on the portfolio of the Small Enterprise Assistance Fund, two-thirds of the labour pool in the businesses sampled were low-skilled employees. These employees received substantial non-salary benefits; each business contributed actively to community development; they provided important linkages between the informal sector and large formalized export markets. To read the rest of the report, see Small Enterprise Assistance Funds (2005). *The Development Impact of Small and Medium Enterprises: Lessons Learned from SEAF Investments*. Washington, DC. Online at <http://www.seaf.com/impact.htm>.

^{xv} Yadav, Shrimohan, 2007. *Entrepreneurship Development in SME Sector*, College of Agriculture Banking, Knowledge Bank

^{xvi} *Report of the Task Force on MSME, 2010*

^{xvii} *Report of the Task Force on MSME, 2010*

^{xviii} *Annual Report Ministry of Micro, Small and Medium Enterprises, 2009-10*

^{xix} Asghar, Afshar Jahnshahi; Nawaser, Khaled; Paghaleh, Morteza Jamali and Khaksar, Seyed Mohammad Sadeq: 2011 *The Role of Government Policy and the Growth of Entrepreneurship in the Micro, Small (&) Medium-sized Enterprises in India: an Overview*

^{xx} Asghar, Afshar Jahnshahi; Nawaser, Khaled; Paghaleh, Morteza Jamali and Khaksar, Seyed Mohammad Sadeq: 2011 *The Role of Government Policy and the Growth of Entrepreneurship in the Micro, Small (&) Medium-sized Enterprises in India: an Overview*

^{xxi} The HDI is a composite index that considers three variables: life expectancy at birth, educational achievement (adult literacy rate and gross rates of primary, secondary and tertiary enrolment) and real per capita GDP in US dollars

^{xxii} Vision 2030 Jamaica – National Development Plan, p. 216

^{xxiii} This extended definition based on UNESCO is appropriate for Jamaica

^{xxiv} Nurse, Keith et al., *The Cultural Industries in CARICOM: Trade and Development Challenges (Draft)* (2006)

^{xxv} Inclusive of the Core Copyright Industries, Interdependent Copyright Industries, Partial Copyright Industries and Non-dedicated Copyright Support Industries (James 2007)

^{xxvi} Vision 2030 Jamaica - National Development Bank, p. 217

^{xxvii} Vision 2030 Jamaica – National Development Plan, p. 91

^{xxviii} Vision 2030 Jamaica – National Development Plan, p. 92

^{xxix} Data provided by the Companies Office of Jamaica, with analysis prepared by the Policy, Planning, Projects and Research Division (PPPRD), MIIC. For full report, see PPPRD (October 2011). *Industrial Performance Report*

^{xxx} A comprehensive description of the Jamaican Micro and Small Enterprise. Study conducted by Carmen McFarlane of McFarlane Consultants, September 1997

^{xxxi} Definition and design of the survey were jointly undertaken between the Group of Analysis for Development (GRADE) and STATIN during March 2002. The fieldwork was conducted by STATIN in 2003. The GRADE Team comprised of Miguel Robles, Manuel Hernandez, Jorge De La Roca, and Maureen Webber, and was led by Maximo Torero. For the full report, see *“The Informal Sector in Jamaica,”* 2006. This project was supported by the IDB.

^{xxxii} Own-account workers are those workers who, working on their own account or with one or more partners, hold the type of job defined as a self- employed job, and have not engaged on a continuous basis any employees to work for them during the reference period.

^{xxxiii} See Tennant, David (2008). *MSME Sector – Phase I: Suggestions for Initiatives to be included in a National Policy Framework for the Jamaican Micro, Small and Medium Enterprise Sector*

^{xxxiv} Policy Goals are linked to Vision 2030 Jamaica: National Development Plan

^{xxxv} Vision 2030 Jamaica – National Development Plan, p. 139

^{xxxvi} Vision 2030 Jamaica – National Development Plan, p. 148

^{xxxvii} Vision 2030 Jamaica – National Development Plan, p. 149

^{xxxviii} Vision 2030 Jamaica – National Development Plan, p. 149

^{xxxix} Vision 2030 Jamaica – National Development Plan, p. 150

^{xl} Vision 2030 Jamaica – National Development Plan, p. 150

^{xli} Vision 2030 Jamaica – National Development Plan, p. 150

^{xlii} Vision 2030 Jamaica – National Development Plan, 150

^{xliii} Vision 2030 Jamaica – National Development Plan , p. 151

^{xliv} Vision 2030 Jamaica – National Development Plan, p. 153

^{xlv} Vision 2030 Jamaica – National Development Plan, p. 153

^{xlvi} Vision 2030 Jamaica – National Development Plan, p. 154

^{xlvii} Vision 2030 Jamaica – National Development Plan, p. 154

^{xlviii} “Promoting Pro-Poor Growth: Private Sector Development-OECD, 2006, pp. 27-35

^{xliv} ‘Asia-Pacific Environmental Innovation Strategies (APEIS) Research on Innovative and Strategic Policy,’ pg. 1

ⁱ K. Selvavinayagam, pg. 4

ⁱⁱ Canadian Model

ⁱⁱⁱ Similar to India’s SME Times

^{liii} Rudjito, pg.3

^{liv} Tennant, Tennant and Wright (2009)

^{lv} CPB Netherlands Bureau for Economic Policy Analysis, Cluster Sector Analysis, 13th August (2001)

^{lvi} This model is used by the Commerce Department at UTECH

^{lvii} Technology Solutions <http://tsolusa.com>

^{lviii} PSDP (April 2008). *A Landscape Assessment of Jamaican Micro, Small and Medium-Size Enterprises (MSMEs)*. Prepared for the Target Growth Competitiveness Committee (TGCC)

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