

TABLE OF CONTENTS

Abstract.....	ii
Glossary.....	.iii
Introduction.....	iv
Policy Issues, Objectives and Recommendations	
• Policy Element: Formality of SMEs.....	1
Access to Finance	
• Policy Element: Lack of Adequate and or Suitable Collateral to Access Financing.....	3
• Policy Element: Using Social Capital as a Vehicle for Micro Enterprise Development.....	7
• Policy Element: Access to credit by micro enterprises.....	8
• Policy Element: High Interest Rates for SME Loans.....	10
Market Access	
• Policy Element: Low demand for traditional goods and services produced by MSMEs.....	11
• Policy Element: Inadequate Marketing and Communication Skills of SMEs.....	13
• Policy Element: Establishing Business Clusters/Centres.....	14
Business Support Services	
• Policy Element: Unfamiliarity with Available Business Support Services.....	15
Training and Development	
• Policy Element: Lack of a comprehensive training and development framework for the MSME sector	16
Innovation and Productivity	
• Policy Element: Low Utilization of Technology	20
Technical Skills	
• Policy Element: Lack of Technical Skills in micro enterprises and small and medium enterprises	22
Promotion of Entrepreneurship	
• Policy Element: Inadequate Entrepreneurial Skills.....	23
Policy Reach/Linkages	
• Policy Element - Gender Equality.....	25
• Policy Element- Policy Review.....	25

ABSTRACT

A national Micro, Small and Medium Enterprise Policy (MSME) is a critical initiative by the Government of Jamaica as MSMEs play an important role in economic development and represent the main source of new business start-ups, with the potential to contribute to growth and innovation.

Despite their importance to the economy, MSMEs face a range of capacity constraints which must be addressed to enable their full development. The Ministry of Industry, Investment and Commerce (MIIC) has portfolio responsibility for the MSME sector and the Ministry acknowledges that there is a need for continuous and comprehensive studies to provide in-depth information on the size and characteristics of MSMEs. In the last decade there have been two major studies on the Micro, Small and Medium Enterprises Sector¹.

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 National Development Plan 2030, that is, “Jamaica, the place of choice to live, work, raise families and do business.”

This policy document seeks to provide an agreed platform for the development of strategies designed to create a viable and competitive Micro, Small and Medium Enterprise sector. All empirical studies, nationally 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.

¹ (i) McFarlane, Carmen (1996) 'Micro and Small Enterprise Survey of Jamaica'
(ii) Tennant, David (2008-09) 'Policy Report for the Jamaican MSME Sector Phase I and Phase II'

GLOSSARY OF TERMS AND ABBREVIATIONS

AFI:	Approved Financial Institution
BAJ:	Bankers Association of Jamaica
BDS:	Business Development Services
BOJ:	Bank of Jamaica
CBO:	Community Based Organisation
COJ:	Companies of Office of Jamaica
DBJ:	Development Bank of Jamaica
Ex-Im Bank:	Export and Import Bank of Jamaica
EPC:	Entrepreneurial Production Centres
FBO:	Faith Based Organisation
GDP:	Gross Domestic Product
GOJ:	Government of Jamaica
HEART/NTA:	Human Employment and Resource Training / National Training Agency
ICT:	Information and Communication Technologies
JAMBIC:	Jamaica Business Information Centre
JAMCO:	Jamaica Marketing Company
JAMPRO:	Jamaica Promotions
JBDC:	Jamaica Business Development Corporation
JBOS:	Jamaica Business Opportunity Services
JCC:	Jamaica Chamber of Commerce
JEA:	Jamaica Exporters Association
JEF:	Jamaica Employers Federation
JTP:	Jamaica Trade Point
MDA:	Ministries, Agencies and Departments
ME:	Micro Enterprises
MFAFT:	Ministry of Foreign Affairs and foreign Trade
MIIC:	Ministry of Industry, Investment and Commerce
Microloans:	Small loans made available to micro enterprises
Microcredit:	The extension of very small loans to the unemployed, to poor entrepreneurs and to others living in poverty that may not otherwise be able to obtain credit from lending institutions.
MSME:	Micro, Small and Medium-Sized Enterprise
MYOC:	Ministry of Youth and Culture
OECD:	Organisation of Economic Cooperation and Development
PIOJ:	Planning Institute of Jamaica
PSOJ:	Private Sector Organization of Jamaica
SDC:	Social Development Commission
SME:	Small and Medium Enterprises
SRC:	Scientific Research Council
STATIN:	Statistical Institute of Jamaica
TAAD:	Taxpayer Audit and Assessment Department
UTECH:	University of Technology

INTRODUCTION

The majority of businesses operating in Jamaica are micro and small enterprises. Comprehensive research published in 1997 on the Micro and Small Enterprise (MSE) sector in Jamaica estimated that small and micro enterprises employing less than ten (10) full time employees totaled approximately 93,110. Of this figure, 90,000 were businesses with four (4) or less full time paid employees.

There is no standard definition across countries or development agencies with respect to MSMEs as classification of these enterprises is usually for the purpose of extending credit and may vary amongst countries and even within a country from institution to institution. In this regard, Jamaica is no different and several MSME definitions co-exist in the Jamaican environment. This policy does not prescribe a common, mandatory definition but provides guidance as to what is accepted as a description of micro, small and medium enterprises in the Jamaican context:

- Micro enterprises are generally defined as having one (1) to three (3) employees and/or an annual turnover less than J\$10,000,000.
- Small enterprises are described as having between four (4) to ten (10) employees and/or an annual turnover of over J\$10,000,000 but less than J\$40,000,000.
- Medium enterprises are categorized as having between eleven (11) to fifty (50) employees and/or an annual turnover that falls between J\$40,000,000 and J\$150,000,000

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 the MSE will substitute labour for capital.

Micro, Small and Medium Enterprises are also considered an incubator for the development of entrepreneurial skills across all economic sectors.

The Government of Jamaica (GOJ), through the Ministry of Industry, Investment & Commerce (MIIC) and its agencies, remains committed to providing support for micro and small enterprises. This will be done through 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.

Each policy position in the document is structured in the following manner: policy element, policy issues, policy objectives and policy recommendations. [Following stakeholder consultations and approval, the term “policy recommendation” will be changed to “policy position”.]