



MIIC

**MICRO, SMALL & MEDIUM ENTERPRISE (MSME)
and ENTREPRENEURSHIP POLICY**

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**PREPARED BY
THE MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE**

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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
FOBS:	Family-Owned Businesses
FBO:	Faith-Based Organization
FES:	Friedrich Ebert Stiftung
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
JACAP:	Jamaica Association of Composers, Authors and Publishers Limited
JAMBIC:	Jamaica Business Information Centre
JAMCOPY:	Jamaican Copyright Licensing Agency
JAMMS:	Jamaica Music Society
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
JCSD:	Jamaica Central Securities Depository
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
MDAs:	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
NCST:	National Commission on Science and Technology
NHT	National Housing Trust
NIS	National Insurance Scheme
OECD:	Organization of Economic Cooperation and Development
PACT:	People's Action for Community Transaction
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
WOBs:	Women-Owned Businesses

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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. This policy framework is a catalyst for the implementation of policy strategies, the successful execution of which will require the fulsome and active participation of the above stakeholders and adequate funding.

Stakeholders consulted included: Anti-Dumping & Subsidies Commission; Association of Development Agency; Bank of Jamaica; Big Accounting Services; Boldeck Jamaica; Brown's Town Community College; Bureau of Standard Jamaica; Cabinet Office; Caribbean Aerospace College; COK Credit Union; COK Sodality Co-operative Credit Union; Companies Office of Jamaica; Consumer Affairs Commission; Churches Credit Union; D's Exotic Creation; Department of Cooperatives & Friendly Societies; Department of Correctional Services; Department of Management Studies, UWI; Development Bank of Jamaica; Devron Barrett Upholstery; EXIM Bank; Exodus Gospel Limited; Fair Trading Commission; First Union Financial Co. Ltd.; Front Porch Gift & Craft; GOJ-EU-CMU; HEART/NTA; Institute of Social Entrepreneurship & Equit- UCC; JACAP; Jamaica Bankers Association; Jamaica Business Development Corporation; Jamaica Chamber of Commerce; Jam Dung Bar & Grill; Jamaica Exporters Association; Jamaica Hotel and Tourist Association/Jamaica Association of Villas and Apartments; Jamaica Intellectual Property Office; Jamaica Manufacturers' Association; Jamaica Micro Finance Association; Jamaica National Agency for Accreditation; Jamaica Promotions Corporation; Jamaica Social Investment Fund; Jamaica Stock Exchange; Jamaica Vendors Higglers & Markets Association; JB's Catering; JN Small Business Loan; Johnson Organic Fertilizer; KD&R Enterprises Limited; Living Juice; Mack John Traders; Micro Investment Development Agency; Ministry of Agriculture & Fisheries; Ministry of Education; Ministry of Foreign Affairs & Foreign Trade; Staff of Ministry of Industry, Investment & Commerce; Ministry of Justice; Ministry of Local Government & Community; Ministry of Tourism; Ministry of Youth, Sports and Culture; Mona School of Business –UWI; Montego Bay Community College; MPCB Moneague; MSME Alliance; Mundle & Son Enterprise; National Centre for Youth Development; New Lie Discipleship; Northern Caribbean University – College of Business & Hospitality Management; Nuff Hope; Organization of American States; PC Bank (Kingston); Private Sector Organization of Jamaica; Planning Institute of Jamaica; Progressive Innovative Enterprise; Rural Agricultural Development; SBE Business Support Centre; School of Entrepreneurship Ethics & Leadership UTECH; Scientific Research Council; SCF, Scotiabank Jamaica; Seacrest Resort Co. Ltd; Self-Start Fund; Sitam Agencies; Small Business Association of Jamaica; Smart Edge Concepts; Social Development Commission; Statistical Institute of Jamaica; Steep International; Strategy – ICT & Creative Industries; Sunflower; Taste Limited; Tax Administration Jamaica; Thomas Forbes & Associates; Tourism Product Development Company; Trade Board Limited; Ultra Media Sales; University of Technology- School of Business; Visual & Performing Arts Jamaica E.C.C; White House; Women Business Owners, Women's Resource and Outreach Centre, Friedrich Ebert Stiftung and numerous independent consultants and researchers. Please see Appendix 1 for additional details on consultations.

EXECUTIVE SUMMARY

Micro, Small and Medium-Sized Enterprises (MSMEs) are important drivers of economic growth and development in Jamaica. These enterprises create employment, facilitate wealth creation and form the backbone for private sector growth and expansion. Despite their economic significance, MSMEs face many challenges that hinder their growth and development hence it is imperative for the Government of Jamaica (GOJ) to place entrepreneurship and MSME development at the forefront of the country's economic policy agenda. The MSME and Entrepreneurship Policy is the intervention framework that offers coordinated, coherent and targeted support to the sector in an effort to expand its contribution.

The numerous challenges facing MSMEs in Jamaica are both internal and external to their operations. Many businesses are characterized by entrepreneurs that lack marketing capacity and broad operational capacity, business leadership, communication and technical skills, and are unfamiliar with available business support services. In addition, training and other forms of business development support for the sector are lacking while there appear to be low capacity for innovation and low utilization of technology among Jamaican MSMEs, factors which also stymie productivity and competitiveness in the sector.

The prevalence of business informality among Jamaican MSMEs poses a challenge to the growth and development of the sector. Informal operations are obliged to remain invisible to the legal system and face restrictions in carrying out certain business activities. They also have a limited number of customers as well as limited access to certain government support (for example, participation in fifteen percent {15%} procurement set-aside) that is crucial to their survival. While this is the case, MSMEs also face barriers to formalization, further contributing to their high level of informality. These barriers include excessive regulatory and administrative procedures, fees and financial requirements.

MSMEs in Jamaica also encounter challenges with marketing their goods and services, both locally and internationally. This can be linked to improper or insufficient marketing skills and a lack of understanding of the supply chain and market dynamics of the sector(s) in which they are competing. MSMEs may also encounter these challenges due to little product differentiation and

minimal integration in the global supply chain strategy, factors which hinder their competitiveness in the marketplace, both domestic and global. These challenges are compounded by the lack of awareness of trade agreements and the ways in which these agreements impact their business prospects and performance. Of relevance also is the role the GOJ plays in helping to provide opportunities for MSMEs to tap into the global value and supplychain through properly negotiated trade agreements.

The high cost of energy poses a serious threat to MSMEs and is a persistent problem which has led to business closures, retarded the growth of businesses and reduced competitiveness. MSMEs require support via intervention mechanisms that will educate them on more efficient use of energy and help them to re-tool their operations in order to become more efficient and competitive.

MSMEs have identified lack of access to finance and its attendant issues such as the paucity of suitable and adequate collateral and high interest rates, as posing a major challenge to business development. They are also burdened by a costly and bureaucratic regulatory and institutional business environment that threatens their growth and survival. Paying taxes, trading across borders, transferring and registering properties etc., can be time-consuming and costly to the sector and is disproportionately more burdensome to these enterprises than to their larger counterparts.

Another critical issue which prevents MSMEs from achieving their fullest potential is untapped wealth tied up in idle assets (Asset Mobilization). This requires freeing up idle assets, thereby increasing their market mobility and enabling their efficient use in production. This matter is being addressed using the joined-up government approach, and the various strategies are clearly articulated in the Growth Inducement Strategy. Issues such as Loan Portability, the Secured Transactions Framework, the Credit Bureau, including Probate and Land Transfer, are fundamental initiatives that will assist in unleashing entrepreneurial dynamism.ⁱ

It is imperative that the impediments to the formation and sustainable development and growth of businesses in the MSME sector be significantly reduced, if not eliminated. The sustainability of MSMEs necessitates that the business model which underpins their operations be supported

by a culture of entrepreneurship, which sees creativity, innovation, risk-taking and wealth accumulation as fundamental tenets. Equally important is a legal, regulatory and institutional framework that supports business growth and development, by limiting the cost and time for complying with regulatory requirements.

The policy development process encompassed research, the convening of a workshop to arrive at a consensus on a singular definition for a MSME, including a series of vertical and horizontal consultations involving key Ministries, Departments and Agencies (MDAs), the private sector and the associations representing MSMEs. Regional consultations were also held in Kingston and St. Andrew, Manchester, St. Ann and St. James, in order to glean feedback from a wide cross-section of stakeholders. In addition, in May 2012, a Validation Workshop was convened in to solicit feedback on the adequacy, relevance and overall acceptability of the Policy. It was attended by stakeholders from the private sector, ministries and agencies, centres of statistics and information and MSME associations.

Research and consultations have informed the Policy Elements, Issues, Objectives and Strategies which are embedded in the document. Policy prescriptions are summarized as follows:

1. Creating an Enabling Business Environment

The high levels of bureaucracy in the administrative and regulatory system, coupled with high transaction costs, are not conducive to the development and growth of businesses in Jamaica. The following areas have been targeted for reform: Paying Taxes, Trading Across Borders, Enforcing Contracts, Registering Property and Starting a Business. The annual “Doing Business Report” publishes country rankings in these and other areas, and Jamaica has recorded a steady decline over the past seven (7) years (2006-2012).

The policy strategies to be implemented include the establishment of a special team dedicated to reducing bureaucracy and increasing efficiency, and the introduction of technology to improve efficiency in conducting transactions. It is envisaged that strides made in these areas will also rebound to an increase in the number of formal businesses in operation, given greater simplicity, cost-effectiveness and efficiency in business licensing and registration, and tax compliance procedures.

It is recognized that the high cost of energy is one of the fundamental challenges facing businesses in Jamaica. The policy frontally addresses this issue and proffers strategies ranging from the provision of incentives to MSMEs which procure and install energy-efficient technology, to the promotion and implementation of Energy Conservation and Efficiency Projects.

Creating an enabling business environment for the sector requires policy intervention in the Government procurement framework for MSMEs. Recognition is given to the issues and challenges plaguing the existing framework and the impact of these on enabling the sector to acquire a meaningful share of GOJ's procurement contracts. The effectiveness of the initiatives to carve out special provisions for the sector has been hampered by high levels of informality among micro and small businesses, lengthy and costly regulatory and administrative requirements as well as lack of awareness of Government procurement procedures and opportunities, et al. The revised government procurement framework outlined in this Policy proposes an increase in GOJ procuring entities' minimum set aside from fifteen percent (15%) to twenty percent (20%) for eligible micro and small businesses. Other changes proposed include a special evaluation criterion for large contracts, voluntary registration of MSME contractors and the development of a database to capture MSME participation, contract awards and contract values as well as to monitor the performance of procuring entities and MSMEs.

The MSME Policy document highlights the need to lead the process of internationalizing the sector through the strengthening of Jamaica's bilateral, regional and international economic and trade relations and the promotion of local and foreign investments in certain areas. MSMEs, like other sectors of the economy, must be positioned to take advantage of the opportunities that will emerge as the country is established as a Global Logistics Hub. For the MSME sector, the Global Logistics Hub provides a platform for better integration into the global supply chain and presents opportunities for a host of downstream industries. These downstream industries will have a catalytic impact on the growth and development of micro, small and medium-sized businesses, in industries such as ICT, international financial services and logistics.

2. Increasing Finance to the Sector

A fundamental challenge facing MSMEs is their limited ability to access adequate and or serviceable financing. The policy strategies place emphasis on recognizing non-traditional collaterals such as inventory, accounts receivable and intellectual property. The Secured Transaction Act will provide a legal framework to formally recognize these forms of collateral.

The policy framework also acknowledges the lack of supply of credit from financial institutions and the limited options available to small businesses. Policy strategies to address these challenges are the provision of loan capital at highly subsidized interest rates to institutions that are willing to lend to MSMEs, sourcing Lines of Credit at concessionary rates and making these funds available for on-lending to the MSME sector, and the creation of an institutional and regulatory environment for financial service providers to introduce innovative financial products and services such as Mobile Money. The Policy also calls for efforts to be made to re-structure the existing institutional framework governing micro-finance in order to ensure greater levels of efficiency and effective allocation of credit to the MSME sector. The establishment of Credit Bureaus is also crucial to the development of the sector as these will furnish financial entities with credit information to assist in their assessment of the credit worthiness of MSMEs.

Given the high risk posed by MSMEs to creditors, higher rates of interest are often charged. The high costs associated with borrowing increase the cost of capital to MSMEs and frequently discourage borrowing. In tackling this issue, the Policy addresses the need for the continuation of subsidized funds to retail lenders through the Approved Financial Institutions (AFIs). In addition, it is necessary to identify sustainable sources of funds for state-owned financial institutions, in order to significantly expand the pool of subsidized funds for on-lending. The Jamaica Bankers' Association (JBA) will also be encouraged to provide loans to entities that intend to purchase land or property for business use, at rates lower than are offered for the purchase of residential property.

The policy framework also promotes equity financing as a viable financing option for MSMEs. Some of the strategies to be employed include the promotion of the Jamaica Stock Exchange Junior Market as a viable financing option for businesses, as well as educating MSMEs on the

merits of equity financing and the options available. Venture capital will also form an important part of equity financing for the sector as efforts will be made to foster and promote greater involvement of venture capitalists through venture capital fora.

3. Enhancing Business and Development Support

Training and development are critical to the growth and viability of the MSME sector. The Jamaica Business Development Corporation (JBDC) will lead the process of training MSMEs, with support provided by other key entities such as the national training agency (HEART Trust/NTA).

Capacity building programmes will target areas such as Business Planning, Cash Flow Projections, Management, Book-Keeping, Marketing, Customer Service, among others. The availability of an online directory of available technical training assistance resources on an MSME business news web portal is another essential policy strategy under this category. The supporting role of tertiary institutions and other key entities in training MSMEs will be vital in improving technical skills.

The introduction of a structured Mentorship Programme is critical to the growth of MSMEs and the Policy speaks to the utilization of entrepreneurs, senior executives and business professionals with proven track records in their fields, to volunteer as mentors, a role including the provision of online business counseling.

In cases where MSMEs experience low demand for their goods and services, it has been observed that this is due to the inability of MSMEs to effectively market these goods and services. Common problems faced by MSMEs include low customer base, lack of access to marketing resources, low quality marketing plans, and poor marketing skills. In seeking to address these problems, the policy proposes the following: technical training to improve marketing and communication skills, sensitizing MSMEs on available business service providers, promoting the use of technology to market and sell goods and services, researching and sharing information with local MSMEs on key requirements in foreign markets, promoting and strengthening agencies that play a vital role in the areas of standards setting, package design and marketing, and increasing the usage of overseas missions and consulates in promoting non-traditional exports such as the creative arts, ethnic food and apparel.

The existence of non-tariff barriers to trade (such as standards, certification and accreditation requirements, rules of origin, customs procedures and labeling and packaging rules) restricts the ability of some MSMEs to access certain overseas markets. Several strategies are put forward in the Policy to address this challenge. A major strategy is to provide training, technical guidance and grants to assist businesses in conforming to regional and international standards.

One key strategy to achieve economies of scale is the adoption of the cluster approach. Businesses will be encouraged to establish clusters in areas in which Jamaica has a competitive advantage. Technical assistance will also be sought from multilateral institutions to support the formation and or improvements to business clusters. Another important strategy is to allocate prime or other crown land for the development of business clusters, centres and zones, with special attention given to communities with high rates of unemployment.

A fundamental problem facing Jamaica is low labour productivity, which is a major hindrance to economic competitiveness. In addition to a widening trade deficit with CARICOM, the nation compares poorly with its CARICOM partners, which have recorded annual increases of 1.5 per cent since 1972. According to the Jamaica Productivity Centre (JPC), labour productivity in Jamaica declined at an average annual rate of 1.3 per cent between 1973 and 2007.

Policy strategies to address this chronic problem include the provision of technical support by the Jamaica Productivity Centre to MSMEs, encouraging and rewarding MSMEs that offer training and development opportunities for staff, enforcing existing legislation regarding occupational health and safety and other issues relating to the promotion of ‘decent work,’ and increasing awareness to facilitate greater utilization of the services provided by the Ministry of Labour and Social Security to assist MSMEs.

Fostering higher levels of creativity and building an enabling framework particularly for the creative industries will also present opportunities for growth and development of MSMEs. The entrepreneur’s ability to generate novel ideas whether in the arts, food or development of any other product or service, must be enriched through increased emphasis on boosting the creative performance of human resources and inculcating a culture of creative thinking within

organizations. The policy gives special focus to the creative industries (film, music, animation, fashion etc.) which are seen as possessing strong linkages with various sectors of the economy and having the potential to create wealth for a wide range of MSMEs.

4. Fostering a Culture of Entrepreneurship and Innovation

The policy goal which speaks to developing a deep-seated culture of entrepreneurship in Jamaica has the potential to transform the economy. To that end, the introduction of entrepreneurship in the curricula of all primary, secondary and tertiary institutions is a game-changing strategy. Other strategies focus on establishing a MSME business news portal which provides information on best practices, creative or innovative steps local MSMEs are undertaking and services that are available to the MSMEs sector, as well as providing incentives to innovative MSMEs in order to assist them in advancing their businesses.

It is imperative that greater attention be paid to the long term sustainability of start-ups, business growth, and reducing business discontinuation. These issues are addressed under the Policy Element which speaks to “Business Sustainability and Fear of Failure.” In this section, policy strategies are geared towards assisting viable MSMEs experiencing losses or insolvency to restructure and re-build their businesses.

Science and technology, research and development, and information and communications technology (ICT) are key catalysts for fostering a culture of innovation. Some of the strategies to be implemented encompass the provision of training and technical assistance, increased sensitization on the importance of technology, establishment of Business Incubators and Entrepreneurial Production Centres to support MSMEs involved in science and technology and innovation, promotion of greater use of technology in schools, introduction of new ICT-enabled services (such as Mobile Money), and support to the development of a legislative framework for businesses that use or supply ICT products and services.

5. Tackling Cross-Cutting Issues:

The Policy addresses “cross-cutting” issues such as the collaboration among Government, associations representing MSMEs, and trade associations, to foster greater social capital among MSMEs through various programmes.

The Policy also places special emphasis on the attainment of equality and equity of opportunity between men and women in the development of all spheres in which MSMEs operate and especially for the Micro and Small sub-categories. This is deemed important in light of empirical work such as a 2006 IDB study which revealed appreciable gender differences across various types of enterprises. According to the study, while women accounted for 58% of own-account enterprises, they represented a much smaller percentage of Micro and Small enterprises, representing 42% and 21% of Micro and Small businesses, respectively.

The youth and persons with disabilities are also given special attention through a number of proposed strategies to promote and increase the level of self-employment via entrepreneurial activities, in an effort to empower these groups so that they can play a greater role in the economy. There are also strategies to protect the environment and to collect and disseminate reliable data and information on MSMEs.

The five (5) broad areas enumerated above represent the central pillars of the MSME and Entrepreneurship Policy framework, and have been cited/endorsed by stakeholders as the priority issues which the national Policy must embrace.

Policy Implementation

The implementation of the key strategies will be effected through the use of an Implementation Plan, with key performance indicators and targets established to measure success. The Ministry of Industry, Investment and Commerce (MIIC) will oversee the implementation process. Government agencies, the private sector, academia and the associations representing MSMEs, will all be responsible for policy implementation. In order to ensure the timely achievement of the numerous goals, a rigid and structured monitoring and evaluation process will be adopted.

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 Analysts for Development (GRADE), the 2008 study titled “*A Landscape Assessment of Jamaican Micro, Small and Medium-Sized Enterprises (MSMEs)*” which was prepared for the Target Growth Competitiveness Committee (TGCC), 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). Reference is also made to the 2006 *Survey of Family-Owned and Women-Owned Businesses in Jamaica* conducted by Dr. Lawrence Nicholson and Dr. Maxine Garvey of the Mona School of Business at the University of the West Indies, Mona, Jamaica.

The Ministry of Industry, Investment Commerce is deeply committed to implementing the range of strategies contained herein. The Ministry is cognizant that, in order to achieve results, there must be synchronicity of efforts and an enduring commitment on the part of all the partners involved in the process. The Government of Jamaica requires “all hands on deck” if the MSME and Entrepreneurship Policy is to be successful in transforming Jamaica, so that Jamaica ultimately becomes “*the place of choice, to live, work, raise families and do business.*”

CHAPTER 1

INTRODUCTION

Micro, small and medium-sized enterprises (MSMEs) are responsible for the majority of employment, help to create wealth, form the backbone for private sector growth and expansion, and contribute to social development. In light of the significance of the sector, developing appropriate policies for MSMEs has in recent years become a top priority for economies worldwide as evidenced by numerous programmes and initiatives for the sector not only in Jamaica but also in countries including as Mauritius, India, Indonesia, Brazil and Barbados.

The Government of Jamaica (GOJ), through MIIC and its related portfolio agencies, and the private sector, has over time implemented various MSME development projects and programmes, ranging from financing to capacity building. However, over the years, the absence of a coherent and comprehensive policy framework for the sector has resulted in an uncoordinated and ad hoc approach to administering support to MSMEs. Further, the lack of a suitable policy framework for the sector resulted in limited focus on critical areas such as broadening the entrepreneurship base of the country, increasing productivity and fostering a culture of innovation among these enterprises.

The MSME and Entrepreneurship Policy seeks to offer a comprehensive, targeted and coherent framework that will create a highly entrepreneurial sector, characterized by innovative and competitive businesses and supported by a rewarding institutional and regulatory business environment. The achievement of the policy goals and objectives will therefore necessitate a partnership among key stakeholders within the public and private sectors, and the leading associations representing MSMEs.

The introduction of a MSME and Entrepreneurship Policy comes against the backdrop of the country's economic recovery from what was the worst global recession since the Great Depression. It also comes against the background of steady decline in the country's ranking in the Doing Business Report which measures business regulation and enforcement across one hundred and eighty three (183) economies. Despite these challenges, opportunities abound as the

country begins to set the stage for enhanced growth performance over the medium to long-term, by establishing itself as a Global Logistics Hub and an International Financial Services Centre. The Global Logistics Hub is crucial to integrating the economy into the global supply-chain and underpins the process of shifting the country's economic growth and development paradigm from one of negligible growth to one with the economy on a highly competitive, export-oriented and innovative platform. This policy is therefore not only crucial but also very timely as it prescribes strategies that will create an enabling business environment and improve business performance at varying levels.

From a strategic standpoint, the MSME and Entrepreneurship Policy is an important move by the MIIC to align its operations to achieving the vision articulated in the Vision 2030 National Development Plan: "Jamaica, the place of choice to live, work, raise families and do business." The proposed strategies outlined in the MSME and Entrepreneurship Policy are largely congruent with those articulated under the Jamaica National Development Plan (Vision 2030) which sets out the strategic framework for improving the business environment. This Vision 2030 framework is underpinned by a set of national strategies that will ensure 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.

The strategies that will be implemented under the Policy fall within five (5) main domains, namely *Improving the Business Environment, Increasing Finance to MSMEs, Enhancing Business Development Support, Broadening the Entrepreneurial and Innovative Base, and Tackling Cross-Cutting Socio-Economic and Environmental Issues*. This document is divided into ten (10) chapters. Chapters 2 and 3 provide definitions and discussion on key concepts as well as a description of the MSME sector based on empirical data. Chapter 4 outlines the vision, mission, goals and guiding principles of the Policy. There are thirty (30) Policy Elements which are covered in Chapters 5 to 9. To ensure a logical flow in the interpretation of the key policy areas, each Policy Element is firstly identified, followed by a discussion on the associated Policy Issues. This is followed by a definition of each Policy Objective, with the key Policy Strategies concluding each section. Monitoring and evaluation of the Policy is covered in Chapter 10.

CHAPTER 2

DEFINITIONS AND CONCEPTS

Micro, Small and Medium-Sized Enterprises

There is no single 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 definition also provides a guide to researchers and policy-makers as it contributes to more consistent and efficient statistical measures of activities/developments in the sector.

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 annual turnover, and a maximum of Euro 43 million in balance sheet total.

The World Bank defines micro-enterprises as those with total employees not exceeding 10, total annual sales amounting to not more than US\$100,000, and total assets capped at US\$100,000. Small enterprises are those with a maximum of 50 employees, maximum assets of US\$3 million, and total sales of not more than US\$3 million. Medium-sized enterprises have a total staff complement of 300 or fewer, up to US\$15 million in sales, and also a maximum of US\$15 million for total assets.ⁱⁱ

Based on an assessment carried out by the International Finance Corporation (IFC), the most common variables in the definitions used among one hundred and twenty (120) economies are number of employees, assets, turnover, capital and investment. The majority (96% or 115 of 120) of these countries used the number of employees in their definitions and (51% or 61 of 120 countries) used Assets/Turnover/Capital/Investment. These definitions often distinguish between certain sizes of enterprises, for example, in countries such as Uzbekistan, Peru and Kuwait,

definitions distinguish between micro and small only and in China and Egypt the definitions differentiate between small and medium enterprises only.ⁱⁱⁱ

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).^{iv} 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 a measurement criterion.

Japan uses a mixture of criteria, including workforce, capital and total investment, but the threshold for these varies across sectors; for example, an MSME could have an upper bound of 300 employees and 300 million Yen in manufacturing, construction and transportation; 100 employees and 100 million Yen in wholesale and trade; 100 employees and 50 million Yen in services; and 50 employees 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 fewer than five (5) employees, an annual turnover of less than Rand 0.15 million and total gross assets of less than Rand 0.10 million (this holds across all economic sectors). On the other hand, small enterprises are defined as having fewer than 50 employees across all sectors and the value of total annual turnover must be less than Rand 5 million for small businesses in social and personal services, construction, et al., less than Rand 2 million for agriculture, less than Rand 7.50 million for mining and quarrying, and less than Rand 10 million for the other sectors.^v

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 Small Business Association of Jamaica (SBAJ) used total sales and the number of employees, the Planning Institute of Jamaica (PIOJ) used total sales and total assets, and the Ministry of Industry, Investment and Commerce (MIIC) used the number of employees and total sales. However, in order to craft a single national definition, MIIC partnered with the

Mona School of Business (MSB) to hold a one-day workshop in July 2011. This workshop involved participants from the public and private sectors, including the associations representing MSMEs (MSME Alliance and SBAJ). From the exercise, it was agreed that MSMEs should be defined as follows:

Table 1: Jamaica’s MSME Definition

FIRM SIZE	NO. OF EMPLOYEES	TOTAL ANNUAL 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

Entrepreneur

An entrepreneur is person who relentlessly focuses on an opportunity, either in a new or existing business, to create value both for the customer and the owner. The entrepreneur assumes both the risk and reward for his or her effort and provides an impetus for change, innovation, and progress in economic life.^{vi}

Entrepreneurship, Innovation and Creativity

According to the classical paradigm, the development of an economy depends on two (2) critical factors of production, namely labour and capital (inclusive of advanced technology). It is against this background that the rise of the four (4) “Asian Tigers” Singapore, Taiwan, Hong Kong and South Korea and a widening of the development gap between the developed/industrialized nations and less developed countries (LDCs) brought about a new school of thought that emerged in the early 1980s. Given the nature of economic development and the factors influencing it, this new perspective posited that entrepreneurship should be added to the above two (2) classical production factors. Thus a new equation, wherein entrepreneurship coupled

with human skills is one of the drivers for economic growth in many countries and a catalyst for a country's achievement and social advancement, was introduced.

Essentially, entrepreneurship is the assumption of risk by individuals and companies, in order to create value. It entails an individual or a group aimed at initiating economic activities in the formal sector under a legal form of business. Pioneering studies on entrepreneurship have characterized entrepreneurs by their drive to achieve, desire for independence, capacity to tolerate ambiguity and risk, perseverance and self-confidence.

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." By their definition, 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}

Innovation and creativity are the bedrock of true entrepreneurship. Austrian economist Joseph Schumpeter makes a clear link between the innovation and entrepreneurship. His definition of entrepreneurship, unlike the recent management scholarship, has not focused primarily on new firm formation, but rather on the various forms that innovative activity have taken and on the role of innovative entrepreneurship in driving changes in historical context of business, industry and economy. He maintains the view that the entrepreneur strives to create wealth by combining inputs innovatively to generate value to consumers. Hence, using Schumpeter's definition of entrepreneurs, it can be argued that the entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential component of a nation's ability to succeed in an ever changing and more competitive global marketplace.^{viii}

Schumpeter's definition of entrepreneurship places an emphasis on innovation, in the form of:

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

Innovation is also defined as a process involving “the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.” Three levels of novelty can be distinguished from the process of innovation: new to the firm, new to the market and new to the world.^{ix}

Entrepreneurship and innovation must be underpinned by creativity. The term creativity can take on many dimensions ranging from the ability to come up with objects of art or novelty products, a new idea that departs from what exists, to solving a problem through creative reasoning. According to Franken (2006)^x creativity is “the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others’. Torrance (1965)^{xi} defines creativity as ‘ the process of becoming sensitive to problems, deficiencies, gaps in knowledge, missing elements, disharmonies, and so on; identifying the difficulty; searching for solutions, making guesses or formulating hypotheses about the deficiencies; testing and retesting them; and finally communicating the results’.

While innovation and creativity are integrally inter-related, there is a slight distinction between the two: innovation is the process of implementing or putting into action what was created while creativity is simply the capability or propensity to conceive something new.

Promotion of entrepreneurship among MSMEs is widely handled through a combination of public- and public-private sector organizations in different countries. Recognizing that the vast majority of entrepreneurs are replicative entrepreneurs (i.e. start businesses based on pre-existing markets, products, models, processes) and not innovative, this policy framework seeks to strengthen the entrepreneurial culture of MSMEs so that they metamorphose into risk-taking,

innovative enterprises. The Action Plan emanating from it will clearly outline the role of the relevant actors (public and private sectors, academia, civil society, et al.), including key performance indicators and targets, in making this a reality.

Start-ups

A key factor in the entrepreneurial process is the identification of imaginative new products or services that may lead to a promising business venture. Once an entrepreneur puts this business venture into action, it becomes a “start-up”. A start-up is therefore a new business venture that is established from “scratch”; that is, any business venture that did not exist prior to the entrepreneur’s efforts^{xii}. A start-up may therefore occur at varying stages of a business operation¹. Entrepreneurs with start-ups in the early stages may have entrepreneurial alertness² but lack business and technical experience. It is this lack of business and technical experience that constitutes one of the major problems facing start-ups.

Start-ups provide an opportunity for many unemployed persons to become self-employed and transforms the unemployable into employable. Successful start-ups therefore increase employment and provide economic opportunities. Against this background, the interventions of the MIIC with respect to policy, financial and business development services are geared to address the needs of MSMEs.

Family-Owned Business (FOB) and Women-Owned Business (WOB)

The UWI Mona School of Business study suggests the following definitions. A FOB is one that is owned and managed by a nuclear family, while a WOB as a proprietorship, partnership, corporation or joint-venture that is (at least) 51% owned, operated and controlled by women.

Youth

The National Youth Policy for Jamaica defines youth as “someone between the ages 15 –24 who has passed through the dependent stage of childhood, in the semi-independence of adolescence or who will soon acquire the maturity of adulthood”.^{xiii}

¹ Varying types of start up as well as stages in a business life cycle

² One’s ability to recognize conditions that may lead to a new business opportunity

CHAPTER 3

PROFILE OF THE MSME SECTOR

In order to provide a profile of micro, small and medium-sized enterprises in Jamaica, three (3) main statistical studies were used. These include a 2008 study titled “*A Landscape Assessment of Jamaican Micro, Small and Medium-Sized Enterprises (MSMEs)*”^{xiv} which was prepared for the Target Growth Competitiveness Committee (TGCC), the 2006 Inter-American Development Bank (IDB) study titled ‘*Informal Sector in Jamaica*’^{xv} and the 1997 study titled ‘*A comprehensive description of the Jamaican Micro and Small Enterprise*’ which was conducted by Carmen McFarlane of McFarlane Consultants.^{xvi} See Appendix 2 for description of these studies. The 2006 survey of Family-Owned and Women-Owned Businesses in Jamaica which was prepared by the UWI Mona School of Business and Women Business Owners with support from Scotiabank, the Jamaica Chamber of Commerce (JCC) and USAID, was also used.

Size and Composition of the MSME Sector in Jamaica

Micro and small businesses are significant contributors to employment in Jamaica. In 1990 and 1996 these enterprises respectively accounted for 18.3% and 18.1% of the employed labour force. Employment in the sector increased significantly since 1996 and this is reflected in employment contribution among own-account workers which constitute the vast majority of these enterprises. According to the 2011 Statistical Institute of Jamaica (STATIN) Labour Force Survey, the Own Account Worker category (i.e. any person who operates a business but did not employ paid help) accounted for 35.9 per cent of the employed labour force.³

The number of non-agricultural micro and small enterprises was estimated at 36,780 in 1983, increasing to 88,850 in 1990 while in 1996 the number of micro and small businesses was

³Information taken from Planning Institute of Jamaica: Economic and Social Statistics of Jamaica (ESSJ) 2011. STATIN explains that an Own Account Worker include any person who operated a business (for profit), who did not employ any paid help. If the business operator had the help of unpaid workers then he should still be classified as 'Own Account Worker'. However, if he had both paid and unpaid help, he would be classified as 'Employer' in the Labour Force Survey. The Own Account Worker as used in the Labour Force Survey is therefore not the same as Sole Trader.

estimated at 93,110.^{xvii} A more recent estimate of the total number of MSMEs is presently not available.

The 2008 survey revealed that MSMEs in Jamaica are mostly involved in the Wholesale and Retail Trade and Community and Social and Personal Services sectors. More than half (55.7%) of the MSMEs surveyed were involved in the Wholesale and Retail Trade and 23.3% operated in Community, Social and Personal Services (see Table 4).^{xviii} The 2003 survey that was conducted by the IDB^{xix} also revealed a high level of concentration of micro and small businesses in Wholesale and Retail and Personal Services categories. According to this study, close to half of the micro and small businesses surveyed were involved in the Wholesale and Retail Trade and 22% belonged to the Education, Social Work and Other Personal Services categories. Studies conducted in 1983, 1992 and 1996 show a gradual increase in the percent of non-agricultural micro and small enterprises that were involved in the Trade Industry.^{xx} Activities in the Trade sector increased from 47.2 per cent in 1983 to 55.2% in 1990 and then to 63.3 per cent in 1996.^{xxi}

<i>Sectors</i>	<i>Percent</i>
Wholesale and Retail Trade	55.7
Community, Social and Personal Services	23.3
Manufacturing (Non-Metal)	9
Manufacturing (Metal)	2
Transport Sales and Communication	3.9
Financial, Insurance, Real Estate and Business Services	2.4
Construction	2.3
Electricity, Gas and Water Supply	1.2
Mining	0.1
Source: PSDP (April 2008). A Landscape Assessment of Jamaican Micro, Small and Medium-Size Enterprises (MSMEs). Prepared for the Target Growth Competitiveness Committee (TGCC)	

Informality

The United States Agency for International Development (USAID) or the United States Government defines informality as “the status of assets and operations that lack legal recognition by the state; the activity may simply be unrecognized by law or illegal in the sense of incurring civil or criminal sanctions’.^{xxii} Businesses in Jamaica are obligated under law, to comply with licensing, registration and tax requirements and procedures in order to be

recognized as formal. The basic legal requirements for individuals and organizations operating businesses in Jamaica are described below:

Registration and Licensing⁴:

- Registration with the Companies Office of Jamaica in accordance with either the Companies Act or the Registration of Business Names Act⁵
- Be licensed as required under Licence on Trade and Business Act, Spirit Licence Law, Hotel Licence etc.⁶

Tax Compliance and Statutory Deductions⁷

- Obtain Taxpayer Registration Number (TRN)
- File and make Income Tax payments (as required)
- Obtain Tax Compliance Certificate (as required)
- Register to pay General Consumption Tax (GCT) and make payments for all taxable activities
- Pay Education Tax
- Contribute to National Insurance Scheme (NIS)
- Contribute to Human Employment and Resource Training (H.E.A.R.T.)⁸
- Register with the National Housing Trust (NHT) and make contributions, as required by law⁹
- Practice Good Record Keeping¹⁰
- Submit Employer's Annual Return Form¹¹

The 2003 IDB study estimates that the average micro and small business met just over one third (36%) of the requirements of formality, a statistic which supports the finding that informality in

⁴ Companies Office of Jamaica's website: <http://www.orcjamaica.com/services/>

⁵ Registration depends on whether you are operating a business or a company. According to the COJ, a company is a commercial enterprise registered or incorporated under the Companies Act and a business is a sole trader or partnership registered under the Business Names Act. For more details see: <http://www.orcjamaica.com/services/>

⁶ See details on licence types and requirements at: http://www.jamaicatax-online.gov.jm/licence_types.html#TradeLicence

⁷ Tax Requirements and Procedures in Jamaica. The Tax Administration Directorate.

⁸ This is payable by employers on behalf of employees

⁹ According to the NHT ' a "contribution" refers to an amount that is payable to the NHT in accordance with the National Housing Trust Act of 1979 (and Act 23 of 2005) ; while a "Contributor" is an employed person (whether employed by an organization or self-employed), or an Employer, or someone who is not liable to pay contributions under the Act but has applied for and has been granted the authorization to make voluntary contributions' See more at: <http://www.nht.gov.jm/contribution-payments>

¹⁰ A good record keeping system allows for easy verification of business expenses for audit purposes and reduces the time taken for tax audits to be completed

¹¹ This is a single form which consolidates employer's annual payroll information for NHT, NIS, Education Tax and PAYE (Income Tax). It should be submitted by all employers with one (1) or more employees from whom payroll deductions were made during the year stated in respect of NIS, NHT, Education Tax and/or PAYE. See more details at: http://www.jamaicatax.gov.jm/Documents/pdf/FAQs_for_S02.pdf

the economy is mirrored by informality among micro and small enterprises.^{xxiii} The study also showed that the smaller the firm the higher the degree of informality, that is, micro and small enterprises has higher degrees of compliance relative to own-account businesses. A 2008 survey revealed that 44% of MSMEs surveyed claimed to be registered with the Companies Office of Jamaica (COJ) and only a slightly larger proportion (49%) indicated that they were not registered. The study also showed that 43 % of the MSMEs were registered to pay GCT and 49% were not registered for GCT purposes. Preliminary data on GCT returns show an estimated total of 6,920 micro enterprises and 3,541 small businesses that filed GCT returns in 2010.^{xxiv}

Geographical Distribution

More than half (56.9%) of the micro and small businesses were located in the Kingston Metropolitan and Other Urban Areas, according to the 1996 survey and almost the same proportion (56.1%) was located in these areas according to the 1990 study.^{xxv} The 2008 survey also found that the majority of the businesses surveyed were located in the Metropolitan and Other Urban Areas; Kingston (15%), St. Andrew (22%) and St. Catherine (11%).^{xxvi}

Ownership Structure and Management Practices

Owner-managed businesses represent the majority of non-agricultural micro and small businesses. In 1983, this category of businesses accounted for 46.2% of micro and small businesses, in 1990 this proportion increased to 47.2% and by 1996 roughly 73 percent of micro and small businesses were own-account businesses. Businesses with 1-4 paid employees accounted for 39.9%, 46.6% and 24.4% of micro and small businesses in 1983, 1990 and 1996 respectively. Businesses with 5-9 paid employees accounted for 13.9%, 6.2% and 2.7% of micro small and medium businesses, respectively.^{xxvii} According to the Nicholson and Garvey 2006 survey, approximately 48% of FOBs and 57% of WOBs can be classified as sole proprietorships or partnerships.^{xxviii}

The IDB shows that just 23% of micro and small businesses surveyed used account books and only 21% had business plans. The study also showed that only 24.6% of businesses surveyed were involved in improving production, products and services or designs; 25% were undertaking

quality control of the product and services offered, 21.5% received or provided training to staff, 2% did market research for location and 5.3% were members of a business association.^{xxix}

Financial System Participation

The 2003 IDB study found that ninety percent (90%) of own-account workers did not have bank accounts. The percentage of micro and small enterprises with bank accounts is much higher, a third (33%) of micro-enterprises and over three quarters (77%) of small firms possessed bank accounts, according to the study.

The survey also showed that only 11% of micro and small firms applied for a loan in the year before the survey and only 8% were successful. The study concludes that with 42% of micro and small firms reportedly needing a loan, the level of success in obtaining loans is an indication of the borrowing constraints facing the sector. This assessment can also be supported by the finding that 29 per cent of the respondents who participated in the 2008 MSME survey cited “financial reasons” as the main challenge to business start-up.

In terms of sources for loans, the IDB study showed that 34.4% of the businesses surveyed obtained loans from commercial banks, 19.4% borrowed from family and friends, 11.8% borrowed from small business lenders, 10.8% borrowed from MicroFIN, 9.7% from credit unions, 7.5% borrowed from other informal institutions and 6.5% borrowed from other formal financial institutions.

The 2008 survey revealed that 57.9 percent of MSMEs used their own savings to start their business, 27.5% used funds from family members, 8.4% from credit unions while approximately 17% were able to source funds from banks. The survey also showed that more than half (53.2%) of the MSMEs surveyed continued to use their own savings to finance business activities, 16 per cent relied on family members, 12.4% accessed funds from banks and 5.6 per cent from credit unions.

The Jamaica Stock Exchange Junior Market offers an alternative financing option to small and medium businesses. It is designed to attract new capital from equity investors, encourage new start-ups and provide financing to existing businesses, thereby enabling small businesses to participate more effusively in the country’s economic development process. The Junior Market is

designed for small and medium enterprises to raise between J\$50 million and J\$500 million. The incentives which are provided include:

- Relaxed listing requirements, e.g. online prospectus etc.,
- Tax-breaks - 0% rate for years 1-5; 25% of regular tax rate over years 6-10
- Reduced trading fees, i.e. JSE Cess and JCSD trading fees and Jamaica Central Securities Depository (JCSD) fees that are 50% less than Main Board
- Exemptions from Transfer tax on shares, as well as Stamp duties on such transfer^{xxx}

Investors and small and medium businesses have displayed confidence in the Junior Market since 2009. The twelve (12) companies listed on the Junior Market have been able to raise close to \$2 billion through Initial Public Offering and were oversubscribed by a combined total of \$5.2 billion. These twelve (12) concerns represent only a small percentage of formally operating small and medium enterprises.

Customers and Suppliers

The IDB study showed that 90.3 per cent of micro and small businesses surveyed provided goods and services to local individual customers. Though variations were reported for the different enterprises, overall only 2.8% and 2.3% of them sold to private enterprises and wholesale and retailers, respectively. This indicates limited linkages among micro and small businesses and between these enterprises and larger firms. The study also showed that 1.1% of businesses surveyed provided goods and services to public institutions which suggest that the government sector accounts for a very small fraction of the customer base of micro and small businesses.^{xxxi}

Wholesalers and retailers comprised the vast majority of suppliers for micro and small businesses. The IDB reported that 86% of the businesses surveyed bought inputs from wholesalers and 24% bought goods from retailers. The study also found that only 15% of enterprises were assisted by their suppliers, and this was particularly with overcoming liquidity constraints; however assistance in the form of knowledge and technology transfer or access to machinery and equipment was generally limited. It was revealed that the availability of credit lines was limited, as less than 20% of the firms surveyed were able to access any type of credit

from suppliers. There was a slight difference however, in how small businesses were treated in this regard as lines of credit were more prevalent among small businesses when compared to own-account and micro-enterprises.

Demography

A gender breakdown in 1992 showed a bias towards males involved in micro and small enterprises, but by 1996 there was a slight bias towards females based on the 49.9:50.1 ratio.^{xxxii} The 2006 IDB study reveals important gender differences across different types of enterprises. According to the study, while women accounted for 58% of own-account enterprises, they represented a much smaller percentage of micro and small enterprises, that is, they accounted for 42% and 21% of micro and small businesses, respectively.^{xxxiii} The 2008 survey reveals a higher percentage of males (56%) than females (44%).

According to the 2006 survey on family-owned and women-owned businesses in Jamaica,^{xxxiv} there were 2,916 FOBs and 1,718 WOBs, with 315 being categorized as both FOBs and WOBs. Some 31% of FOBs and 20% of WOBs have been in operation for over twenty (20) years, and over the last 2-3 years, the number of WOBs appeared to have been growing at a faster rate than that of FOBs. Most FOBs were in the area of wholesale and retail (48.7%), with WOBs geared towards social and personal activities (37.1%).

For both categories of businesses, most of the wholesale and retail businesses have been in operation for over ten (10) years. The study also shows that 22% of FOBs and 26% of WOBs have been in operation for between ten (10) and nineteen (19) years, respectively. Over 33% of FOBs and approximately 10% of WOBs in the wholesale and retail sector have been in operation for over twenty (20) years.

The top five (5) factors that FOBs highlighted as the most problematic in doing business were: (i) crime and theft; (ii) high tax rates; (iii) lack of access to financing; (iv) inflation; and (v) high interest rates. Findings for WOBs indicated similar challenges, with the top five (5) being: (i) inflation; (ii) tax rates; (iii) lack of access to financing; (iv) crime and theft; and (v) inefficient government bureaucracy.

In 1996, it was discovered that a higher percentage of business owners in the micro and small sector were 50 years and older when compared to other age groups. Business operators aged 50+ years accounted for 43.2% of the micro and small businesses surveyed, operators 35-49 years made up 34.8 % of business operators surveyed and those under 35 years accounted for 22.0 %.^{xxxv} According to the 2003 IDB study, the average age of the micro and small businesses surveyed was 45 years and there was no significant difference across the different sizes of enterprises.

Training and Education

The percentage of micro and small business operators with secondary level education moved from 42.5 % to 49.7 % between 1992 and 1996. The percentage of operators with tertiary level education declined between 1992 and 1996 as it moved from 15.2% in 1992 to 7.2% in 1996.^{xxxvi} The 2008 study revealed a smaller percentage (roughly 30%) of business operators that indicated that they completed secondary school. This study also shows almost 20 per cent had vocational and skills training, 5.1% were tertiary students, 11.7% were tertiary graduates and 16.4% indicated that they had all-age school/some secondary education. The remainder pursued professional training beyond university, had no formal training etc. The 2003 IDB study found that a positive relationship exists between the entrepreneur's level of education and the size of enterprises; small business operators had an average three years of additional education over own-account business operators and one-third of small entrepreneurs attained university-level education.^{xxxvii}

Roughly 30 per cent of business operators that were surveyed in 1992 expressed a desire for training and by 1996 there was a change in attitude among operators as close to 54 per cent of them expressed a desire for training. According to the 1996 study, 37.3% of business operators indicated the need for training in designing new products, 26.0 per cent wanted training in management of enterprise, 24.9% expressed a desire for training in technical basic skills, 24.4% desired training in keeping written records, 18.5% wished for training in marketing and promotion, while the remaining proportion indicated a desire to be trained in using and repairing

machines (9.6%), negotiating with banks (5.5%) and negotiating with customers and suppliers (4.7%).^{xxxviii}

Business Development Services (BDS)

The Jamaican Government has partnered with other stakeholders and, with their assistance, provides support to the MSME sector through a number of financial and non-financial institutions, projects and programmes. These include wholesale and retail financial institutions, providers of marketing services, business incubator support, business counselling, financial planning, export facilitation and product standardization, packaging and labelling etc. Appendix 3 provides an overview of some business services specifically targeting MSMEs.

Despite the efforts over the years, MSMEs in Jamaica appear to have very limited knowledge of business development services (BDS). The 2003 IDB survey shows that only 20% of the businesses surveyed had prior knowledge of these services and just 9% had any experience with the services. There are variations among different sizes however; 9.9% of own-account businesses know about BDS but only 3.7% of the businesses surveyed have ever used these services; 27% of micro businesses are aware of these services with only 10.1% of the sample having ever used them and 49.6% of small businesses know of the services but they have been accessed by only 26.7% of the businesses surveyed. Accounting and tax assistance appear to be the most commonly used BDS and these facilities are mostly provided by the private sector.^{xxxix}

The 2008 survey focused on Government-funded enterprise support services but a lack of awareness of these services among MSMEs has limited access to these services. Only 8 per cent of MSMEs surveyed indicated that they have used Government support services and the majority (67%) of respondents that gave reasons for not using these services cited lack of awareness as the main factor while approximately 59% indicated that they would be encouraged to make greater use of the services if they knew more about them.

CHAPTER 4

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:^{xi}

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

Policy Goals^{xii}

- Increase the number of formal MSMEs by 10% each year
- Improve the technical skills of 100 MSMEs per annum
- Reduce the processing time for business registration by 60% by 2015
- Increase the number of MSMEs securing loans by 20% by 2020

- Increase the number of MSMEs utilizing ICT by 30% by 2020
- Increase the number of MSMEs utilizing R&D in their business operations by 75% by 2025
- Introduce Entrepreneurship in the curricula of all primary, secondary and technical institutions by 2020
- Ensure all MSMEs are entrepreneurial by 2030
- Ensure Jamaican firms are innovative and competitive by 2030
- Promote and secure equity and equality of opportunity which enable women-owned and family-owned businesses to be effective economic actors in the MSME sector
- Promote and secure equality and equity of opportunities among MSMEs.

Main Principles

The MSME and Entrepreneurship Policy is anchored on the following fundamental principles:

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

Alignment with Vision 2030 Jamaica: National Development Plan

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 alignment with key national policies.

CHAPTER 5

CREATING AN ENABLING BUSINESS ENVIRONMENT

1.0 Policy Element: Informality

a. Policy Issue:

Formalization is not an instantaneous process but one that 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.

MSMEs that remain informal face a number of disadvantages. An IDB study revealed that the micro and small businesses in Jamaica that were surveyed met only 36% of all the legal requirements for formality. The IDB illustrates that businesses that operate informally are forced to take actions that keep them invisible to the legal system and this leads to disadvantages such as limited number of customers, restrictions on the size of the establishment, advertising problems and other outcomes that undermine performance.^{xlii}

b. Policy Objective:

To encourage business formalization in the MSME sector.

c. Policy Strategies:

- (i) Promote greater simplicity, cost effectiveness and efficiency in business licensing and registration and tax compliance procedures through greater use of Information and Communications Technologies (ICTs).
- (ii) Continue to promote the marketing and developmental assistance available to firms that are registered

- (iii) Embark on public education campaigns involving MSME operators in an effort to educate them about formalization requirements and procedures.

2.0 Policy Element: Tax and Incentives Structure

a. Policy Issue:

MSMEs face a host of constraints related to taxation; these constraints inhibit their growth and ability to compete. The Government should provide incentives to MSMEs, in keeping with trends in the global environment, to facilitate sustainable growth and competitiveness. The current Tax Reform initiative should be used as an opportunity to revise the taxation and incentives framework so that it is more conducive to starting and expanding MSMEs.

b. Policy Objective:

To promote a supportive tax and incentive framework for the MSME sector.

c. Policy Strategies:

- (i) Encourage the Ministry of Finance and the Ministry with portfolio responsibility for Information to mount a major and sustained public education/social marketing programme to change the attitudes of Jamaicans towards the payment of taxes, creating awareness of the benefits to the country when the tax base is broadened and of how the GOJ can support the MSME sector if revenue inflows increase.
- (ii) Ensure all beneficiaries of Government support are tax compliant.
- (iv) Explore the feasibility of an annual flat tax for currently non-tax paying, self-employed individuals and micro enterprises, for an amnesty period of one (1) year (a fixed period until they are required to commence the filing of tax returns, scheduled to be implemented).
- (v) Promote the removal of retroactive taxation for businesses that become compliant by the end of the one (1) year amnesty period.

- (vi) Lobby for start-up micro-enterprises who self-declare that their total assets are less than J\$1,000,000, to be automatically exempted from paying taxes for the first five (5) years of their operations
- (vii) Explore the affordability of eliminating double taxation on dividends for non-listed companies, to encourage re-investment for expansion.
- (viii) Subject to resource availability, expand Credit Guarantee Schemes that have less demanding collateral requirements.
- (ix) Re-introduce the tax waiver on renewable energy products in order to enhance the growth and competitiveness of MSMEs.
- (x) Provide tax incentives for ICT adoption in high-value MSMEs that are engaged in export markets. Incentives should also be used to encourage the development of the software applications/animation sector.

3.0 Policy Element: Legal, Regulatory and Administrative Framework

a. Policy Issue:

There is a high level of bureaucracy in the administrative and regulatory environment for businesses. According to the 2012 Doing Business Report, which provides a measure of business regulations and enforcement (overall ease of doing business) among economies, Jamaica ranked 88 out of 183 countries.

An inefficient and costly regulatory and administrative business environment retards the development and growth of businesses in general and can be disproportionately more burdensome for MSMEs than their larger counterparts, especially due to their earning potential and human and financial resource capacity. Paying taxes, for example, can be time consuming, complex, costly and weighs heavily on the resources of MSMEs. Furthermore, it results in less business activity, lower productivity levels and frustration among MSMEs.

Trading across borders also has certain procedural requirements for importing and exporting goods and is an area that robs MSMEs of scarce resources especially due to the time and money needed to ensure compliance.

Land transfer and registration attract costs and entail legal procedures that have contributed to large amounts of idle or underutilized land. The PIOJ estimates that approximately 47% of the more than 800,000 parcels of land in Jamaica are unregistered. The unregistered status of the land makes for these lots being ‘dead capital’ as they cannot be used as means for investment or wealth creation.^{xliii}

Improving the regulatory and administrative environment for businesses requires a whole-of-government approach that will ensure efficiency and cost-effectiveness of services provided by the Government. However, even more targeted support to this effort should come from a number of key ministries, agencies and departments that directly interface with businesses and thereby have a critical role to play in making it easier to do business in Jamaica. The MIIC, for example, has identified five (5) main areas which are of major concern and fall within its portfolio. These are: *paying taxes, trading across borders, enforcing contracts, registering property and starting a business.*

The regulatory and administrative framework affects businesses in general; therefore most of the strategies that are being considered below are not geared toward improving the regulatory and administrative inefficiencies specifically affecting MSMEs. Nonetheless, given the disproportionate burden that is placed on MSMEs and given the urgency with which this matter should be treated, tackling the major impediments in the regulatory and administrative environment is a policy imperative.

b. Policy Objective:

To improve the efficiency and cost-effectiveness of the legal, regulatory and administrative environment for businesses.

c. Policy Strategies:

- (i) Establish a special team dedicated to reducing bureaucracy and increasing efficiency among public entities that directly interface with businesses.
- (ii) Institute a rigid monitoring and evaluation system to measure progress in reducing the bureaucracy and cost of doing business.
- (iii) Promote greater use of technology within MDAs that provide services in order to boost efficiency and reduce cost associated with service delivery.
- (iv) Encourage ongoing dialogue with MSMEs to sensitize them about improvements in the business environment and solicit their feedback for further changes that should be made in the administrative and regulatory environment.
- (v) Introduce ‘one-stop shop’ to facilitate business registration and application of TRN, NIS, NHT etc., to reduce time and cost for setting up new businesses.
- (vi) Implement reform of legislative framework and administrative process for the administration of deceased estates (Probate Reform).

4.0 Policy Element: Energy Cost

a. Policy Issue:

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

b. Policy Objective:

To promote greater energy efficient practices among MSMEs.

c. Policy Strategies:

- (i) Sensitize MSMEs about sustainable energy practices.

- (ii) Provide incentives to MSMEs which procure and outfit their businesses with energy efficient technology.
- (iii) Implement the various energy policies to diversify the country's energy supply and options (renewable energy, et al.).
- (iv) Promote and implement Energy Conservation and Efficiency Projects¹² to help MSMEs lower their operational costs and boost productivity through energy conservation and more efficient use of resources.

5.0. Policy Element: Government Procurement

a. Policy Issue:

The Government of Jamaica, over the last decade, has undertaken a number of initiatives aimed at modernizing the public procurement system and aligning it with that of international best practices. In 2010 the Ministry of Finance (MOF) and the Ministry of Industry, Investment and Commerce (MIIC) actively pursued the implementation of a special procurement policy designed to enable MSMEs to acquire a meaningful share of GOJ's procurement contracts and to provide economic stimulus through enhancing the potential of local industries. In order to effectively accomplish this, a survey designed to obtain feedback and identify appropriate policy changes was administered to major stakeholders and GOJ procurement officials. The key findings from this survey were endorsed at a stakeholder workshop held in September 2010 and now form the basis of the proposed MSME policy framework.

The survey, which was administered by consultants engaged by the Procurement Policy Unit of the MOF through its Inter-American Government Procurement Network (IGPN) membership, indicated that few small enterprises and no micro-enterprises were

¹²Energy Conservation and Efficiency projects should help to promote energy conservation management, in an effort to lower operational costs and increase productivity. Based on the model used by JBDC, activities under the project may include workshops to promote energy efficiency, energy audits, promoting renewable energy solutions and the creation of income earning opportunities through renewable energy

participating in public procurement. This, they found, was a consequence of the following issues:

- Between thirty percent (30%) and fifty percent (50%) of small and micro enterprises form part of the informal economy and are not officially registered businesses;
- Between fifty percent (50%) and seventy five percent (75%) of participating MSMEs consider the GOJ procurement process to be too lengthy, unaffordable and lacking in transparency;
- GOJ tender requirements and documents are considered too burdensome for essentially low value contracts;
- The requirement to provide bid security is one of the most commonly reported barriers to MSMEs' participation in Government procurement;
- Tax compliance requirements act as a deterrent and there is no tax relief to enable growth for fledgling enterprises;
- Advance (mobilization) payments from Government entities are insufficient and oftentimes not offered at all;
- Lack of access to financing for MSMEs;
- Lack of coordinated and affordable business training and the need for accessible procurement awareness courses.

b. Policy Objective:

To increase MSME participation in government procurement tenders.

c. Policy Strategies:

- (i) In support of the proposed MSME policy, the “Economy” principle at 5.1 (i) of the new GOJ Public Sector Procurement Policy document, has been extended to include the following statement:

“Procurement is a significant area of government spending and its potential to encourage Jamaican business, particularly MSMEs, to increase their formal participation in this market, improve product and service quality, raise business standards, and facilitate entry into international markets, will be fully supported.”

- (ii) It is proposed that GOJ procuring entities set aside a minimum of twenty percent (20%) of their Procurement Budgets for eligible micro and small businesses. This could include Capital A and Recurrent Expenditure. The “Set Aside” will be mandatory and procuring entities will be required to review and report on the volume and value of contracts issued, with justification when the minimum “Set-Aside” is not achieved.

The maximum values for any single contract awarded under the Set-Aside programme are outlined hereunder:

Goods	- \$2 Million
General Services	- \$5 Million
Works	- \$10 Million

In order to widen access to Government procurement opportunities in general, it is expected that an MSME that is awarded a contract based on the above criteria will not be eligible for another Set-Aside contract until the job is completed.

- (iii) To satisfy the Set-Aside requirement, procuring entities will be required to review all contracts above the value thresholds applicable for the Set-Aside and where appropriate, will be allowed to package contracts in lots. Procuring entities therefore, must not break up contracts for goods, works and services, but rather package the contracts in lots, which allow the tenderer to submit a proposal/bid for one, two or all lots, since each lot will be evaluated separately to select the appropriate service provider.

Procurement activities under the Set-Aside Programme shall be included in the procuring entity’s Procurement Plan.

- (iv) For contracts over Fifty Million Dollars (J\$50,000,000.00) in value, procuring entities will be required to include a weighted evaluation criterion of no less than twenty percent (20%) for the use of Jamaican MSMEs and local resources in these contracts. This evaluation criterion is expected to encourage large contractors to demonstrate the inclusion of MSMEs in the execution of Government contracts.

- (v) The Government of Jamaica Handbook of Public Sector Procurement Procedures (Volume 2 - Section A 7.61) will be amended so that the threshold for bid security requirement is increased from Ten Million Dollars (\$10,000,000.00) to Twenty Million Dollars (\$20,000,000.00).
- (vi) Performance Security is usually required to guarantee the satisfactory completion of contracts. Under the new policy framework, the Government of Jamaica Handbook of Public Sector Procurement Procedures (Volume 2 - Section A 7.6.2) will be amended to reflect an increase in the threshold for Performance Security, from Ten Million Dollars (\$10,000,000) to Twenty Million Dollars (\$20,000,000).

In lieu of demanding performance security up front, after an advance payment is made, the procuring entity should progressively deduct the security amount from each successive payment due to the contractor over the duration of the contract.

- (vii) Procuring entities will be required to limit the weighting applied to the evaluation criterion “*Previous Experience*” or “*Works of a Similar Nature*” to no more than 20%, so as not to exclude new entrants from having a reasonable chance in the bidding process.
- (viii) All contracts designated for MSMEs under the Set-Aside will be advertised on a single One-Stop Set-Aside website, hosted by the MIIC. A database will also be established to capture MSME participation, contract awards and contract values as well as to monitor the performance of procuring entities and MSMEs. This will ultimately be consolidated with the introduction of a wide-scale electronic procurement system.
- (ix) A process of voluntary registration of MSME contractors will be facilitated through a Web-Enabled National Procurement Registry (NPR) possibly using the Jamaica Business Information System (JBIS) in the MIIC funded by the Commonwealth Secretariat (COMSEC). This would be integrated with the One-Stop Set-Aside website hosted by the MIIC, which will provide information on the procurement opportunities under the Set-Aside allocation.

- (x) Training will be critical to the successful implementation of the strategies. The MOF and MIIC will jointly undertake a sensitization programme for MSMEs as well as procurement personnel, to ensure that each group understands the changes required and is equipped to implement and support those changes.

The programme will be tailored such that MSMEs are educated on the requirements for engaging in public procurement and the skills necessary to be successful, as well as the benefits that will accrue from participation.

Public Sector Procurement staff will also be educated on their role in the implementation of the strategies and the problems that MSMEs are likely to encounter when engaging in public procurement.

- (xi) The integration of MSME stakeholder support and GOJ resourcing will be a key feature of the new framework. There are a number of public and private MSME stakeholders whose supporting role will be critical to the success of the policy implementation. These stakeholders will be encouraged to collaborate to provide integrated, low cost training and online business information and reports to assist MSMEs to participate in public procurement.
- (xii) In order to ensure the effective implementation, administration and monitoring of the Government procurement policy strategies, at least two (2) additional mid-level Procurement Analysts will be required to assist the implementation of these strategies.

6.0 Policy Element: Internationalization of MSMEs

a. Policy Issue:

The level of internationalization¹³ among local businesses leaves much to be desired. According to the Global Entrepreneurship Monitor 2011 Jamaica Report, the majority of entrepreneurs (64%) had none of their customers living outside of Jamaica, 14.3% of them had less than 10% foreign customers, roughly 8% had over 90% of their customers living in foreign countries and approximately 3% had between 50% and 90% of their customers based in other countries.^{xliv}

In an increasingly competitive environment, MSMEs have to learn to both act and think more globally. To do this, they will have to develop the capacity to produce differentiated goods and services that can penetrate markets overseas and to develop an awareness of the international and regional trade regime. Research findings on the level of awareness of the regional and international trade regime are disappointing. A survey conducted in 2008 showed that 50 per cent of MSMEs in Jamaica were not aware of the CSME and 46 per cent did not believe it affects their business activities. When asked about the ACP/European Union Economic Partnership Agreement (EPA), close to 80 per cent had no knowledge of it and 55% believed it would have no impact on their daily business activities.^{xlv}

While MSMEs will be expected to position themselves to handle new opportunities or threats within the global economy, there are a multiplicity of factors that will determine how quickly the sector becomes more integrated into the global economy. Research by Rasmussen et al (2000) highlights several factors that can influence a more accelerated process of internationalization for businesses. These are “(1) new market conditions,

¹³The process of internationalizing MSMEs may take the traditional stages described by the Uppsala Internationalization Model that shows how the firm moves from a non-exporter, to one that initiates its internationalization process through direct export. The firm can later begin to export using a network of independent agents in the foreign country (ies) and sooner or later, it may begin to develop sales subsidiaries within the foreign countries and even go a step further to establish a production facility within those foreign countries (see Johanson & Wiedersheim-Paul 1975; Johanson & Vahlne 1977 in ‘Internationalization from a SME Perspective)

increased specialization demanding larger markets and quick spread of innovations, (2) technological developments in the areas of production, transportation and communication, and (3) more elaborate capabilities of people, i.e. more mobile personnel and increased knowledge about foreign cultures and markets.”^{xlvi} Many of these criteria require whole-of-government involvement over time but the process of establishing Jamaica as a Global Logistics Hub is an important first step and will help to accelerate the internationalization of MSMEs and other sectors. The Global Logistics Hub is envisaged to encompass the flow of goods, services, people, information, energy and other resources through the entire supply chain from source to end use. For the MSME sector, the Global Logistics Hub provides a platform for better integration into the global supply chain and presents opportunities for a host of downstream industries. These downstream industries will have a catalytic impact on the growth and development of micro, small and medium-sized businesses, in industries such as ICT, international financial services and logistics.

b. Policy Objective:

Improving the ability of MSMEs to take full advantage of a favourable and enabling internal and external environment by strengthening Jamaica’s bilateral, regional and international economic and trade relations, while simultaneously promoting local and foreign investment.

c. Policy Strategy:

- (i) The survival of local MSMEs depends in part on the trade policy being pursued by the Government both regionally and internationally. 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.
- (ii) Local technocrats should 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.
- (iii) Ensure that Jamaica’s National Trade Policy provides an enabling framework for MSMEs.

- (iv) Undertake periodic review and refinement of the National Trade Policy.
- (v) Promote Jamaican MSMEs' interests within the regional and multilateral system.
- (vi) Ensure full implementation and effective use of the CSME.
- (vii) Maintain strategic coalitions and alliances at the WTO, including the Group of 33, Small and Vulnerable Economies Group and ACP countries.
- (viii) Implement the Economic Partnership Agreement (EPA) between the EU and CARIFORUM.
- (ix) Strengthen strategic bilateral trade relations.
- (x) Maintain and enhance relationships with ACP countries.
- (xi) Strengthen key international relations capabilities through technical cooperation.
- (xii) Promote investments in areas such as energy, ICT, creative industries and sports.
- (xiii) Promote niche production as a strategy to increase the number of high value products that can be supported by small scale production and also strengthen the international competitiveness of MSMEs
- (xiv) Strengthen the involvement and contribution of the Jamaican Diaspora in national development.
- (xv) Address implementation problems related to the applicability of various trade agreements such as the CSME and the EPA, particularly for entrepreneurs operating in the creative industries.

- (xvi) Increase MSME participation in the regional and global value chain¹⁴ by facilitating greater linkages with regional and international production networks¹⁵.
- (xvii) Promote Jamaica as a Global Shipping and Logistics Hub, and provide opportunities for MSMEs to benefit under this new arrangement.
- (xviii) Dredge the Kingston Harbour and expand the port facilities.
- (xix) Establish a Dry Dock facility in Jackson Bay, Clarendon.
- (xx) Establish a Commodity Port in St. Thomas.
- (xxi) Develop a Cargo, Passenger, and Maintenance, Repair and Operations (MRO) facility at Vernamfield, Clarendon.
- (xxii) Develop the Caymanas Economic Zone.

¹⁴The *global value chain* involves the full range of value-added activities required to bring a product from its conception, through design, sourcing raw materials and intermediate inputs, production, marketing, distribution and support to final consumer on ‘global’ level. In the global value chain, the value added activities are geographically dispersed across borders to multiple country locations. George Abonyi (2005) *Integrating SMEs into Global and Regional Value Chains: Implications for Subregional Cooperation in the Greater Mekong Sub region*, prepared for The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok. Accessed at: http://www.unescap.org/tid/mtg/smesw_s2a.pdf

¹⁵‘A Production Network represents linkages within or among a group of selected firms in a particular value chain for producing specific products such as computers, mobile phones, or cars.’ George Abonyi (2005) *Integrating SMEs into Global and Regional Value Chains: Implications for Subregional Cooperation in the Greater Mekong Sub region*, prepared for The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok. Accessed at: http://www.unescap.org/tid/mtg/smesw_s2a.pdf

CHAPTER 6

INCREASING FINANCE TO THE SECTOR

7.0 Policy Element: Non-Traditional Collateral

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.”^{xxlvii} 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 typically have available as security, the usual “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.”^{xxlviii}

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) Promote the on-lending of funds to micro-enterprises without the need for traditional collateral.
- (ii) Continue to provide financing for the business clusters using the group guarantee which eliminates the need for individual collateral.
- (iii) Implement Secured Transaction Framework to increase the range of personal properties that can be used as security for loans.¹⁶
- (iv) Establish a central, web-based system of filing and searching for security interests in assets other than land under the Secured Transaction Framework. This will increase the certainty and simplicity of taking collateral for financing transactions and will improve the flow of credit especially among MSMEs.
- (v) Collaborate 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 are used as collateral, or “Floor Planning” where the inventory of the MSME is used as collateral until the sale is made.
- (vi) Subject to resource availability, expand Credit Guarantee Schemes especially for export oriented, innovating firms and entrepreneurs operating in the creative industries.

¹⁶“A secured transactions framework allows borrowers to pledge movable property as security for a loan in a manner that removes ambiguity regarding exactly what property has been pledged, to whom the property has been pledged and gives the lender the right to repossess these assets speedily in the event of payment default.” Holden, Paul ‘Implementing Secured Transactions Reform in Jamaica: Issues and Policy Options,’ The Enterprise Research Institute

8.0 Policy Element: Supply of Credit

a. Policy Issue:

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

Micro-loans tend to have a high administrative cost per dollar loaned and this sometimes deters financiers from offering these loans. The cost per dollar loaned is high since the processing cost for a small loan is nearly the same as for a large loan. More importantly, collection from certain categories such as micro-enterprises has to be weekly, or at most, fortnightly, as typically they do not demonstrate the discipline to save towards the monthly debt service.

b. Policy Objective:

To facilitate an increase in the supply of credit to MSMEs.

c. Policy Strategies:

- (i) Recognize micro-credit institutions that are not deposit-taking but lend their own resources to micro-enterprises.
- (ii) Re-structure the institutional framework for lenders in the microfinance industry to ensure that funds are more efficiently and effectively allocated to MSMEs
- (iii) Provide loan capital at highly subsidized interest rates to institutions that are willing to lend to the MSME sector and earmark at least thirty percent (30%) for qualified WOBs, youth-owned businesses and persons with disabilities operating businesses.
- (iv) Identify a special Line of Credit at a concessionary rate and make these funds available for on-lending to the productive sector, with special focus on firms that are innovative and or operate in the creative industries.
- (v) Facilitate the establishment of Credit Bureaus 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.

- (vi) Explore the feasibility of Loan Default Insurance to encourage more creditors to enter the market for small business loans.
- (vii) Implement a suitable regulatory framework for privately-owned micro-finance institutions to ensure speedy, inexpensive and enforceable recourse mechanisms for both borrowers and creditors.
- (viii) Increase awareness of grant funding as a source of capital and build capacity among MSMEs to help them access these sources of funds.
- (ix) Increase awareness of the financial services available to MSMEs and expand business development support to help them to take advantage of available financial services.
- (x) Create suitable institutional and regulatory environment for financial service providers to introduce innovative financial products and services (e.g. mobile banking) which will lead to greater financial inclusion among ‘unbanked’ and ‘under-banked’ MSMEs.
- (xi) Develop new distribution channels for on-lending of funds to the MSME sector so that MSMEs will have access to a wider pool of financing institutions.
- (xii) The Government should, through moral suasion, encourage banks to lend a greater share of their loanable funds to businesses in the rural areas. These banks should also be encouraged or required to provide reports, on an annual basis, on their compliance with specific targets lending identified.

9.0 Policy Element: Interest Rates for MSME Loans

a. Policy Issue:

A challenge to lending to MSMEs is the significant level of credit risk to their lenders. These risks result from the low value or lack of collateral used as leverage by the creditors, the lack of knowledge of financial products/terminology and lack of appropriate business documents by borrowers who often have to be closely monitored to ensure that loans are repaid on time. As a consequence, creditors tend to charge high interest rates that

are often above rates charged by traditional financial institutions. Such rates have the effect of increasing the cost of capital to MSMEs and may eventually discourage borrowing as a means of financing new developments or business expansion.

b. Policy Objective:

To facilitate lower interest rates to MSMEs.

c. Policy Strategies:

- (i) Continue to provide subsidized funds to retail lenders through the AFIs.
- (ii) Identify sustainable sources of funds to channel to state-owned financial institutions, in order to significantly expand the pool of subsidized funds for on-lending through the AFIs until market interest rates are reduced to internationally competitive levels.
- (iii) Encourage the JBA to provide loans to SMEs desirous of purchasing land or property for business use, at a rate that is below what is offered for the purchase of residential property. This should be supported by monitoring mechanisms that will ensure the entity operating at the specified location is executing the activity that it is registered to undertake.
- (iv) Publicize interest rates for business loans in order to promote competition and transparency in the financial community.
- (v) Provide training to MSMEs to help build capacity to prepare suitable business documents and properly manage finances.
- (vi) Implement strategies to ensure that benefits from subsidized interest rates offered to wholesale and retail lenders are passed on to MSMEs.

10.0 Policy Element: Equity Financing

a. Policy Issue:

The Junior Stock Exchange is designed to attract new capital from equity investors, encourage new start-ups and provide financing to existing businesses, thereby enabling small businesses to participate more effusively in the country's economic development process. Thirteen (13) companies were listed on the Junior Market as at May 2012 (see

Table 5). The JSE reports that capital raised on the Junior Market since it was launched in April 2009 totals \$2.08 billion.¹⁷

		Amount Raised through Initial Public Offering (J\$Mn)			
Industry	Company	2009	2010	2011	2012
Finance	Access Financial Services Limited	100			
	Lasco Financial Services Limited		58.8		
Insurance	General Accident Insurance Company Jamaica Limited			416.6	
Manufacturing	AMG Packaging & Paper Company Limited			57.8	
	Blue Power Group Limited		87.9		
	Honey Bun (1982) Limited			51.17	
	Jamaican Teas Limited		98.4		
	Lasco Manufacturing Limited		195.79		
Retail	Caribbean Producers Jamaica			428	
	Lasco Distributors Limited		160.97		
Tourism	Dolphin Cove Limited		240		
Other	Cargo Handlers Limited		53.5		
Other	C2W Music Limited				129
Total in J\$Mn		100	895.36	953.57	129

The thirteen (13) companies listed on the Junior Market represent only a “handful” of formally operating small and medium enterprises. Possible explanations for this include unfamiliarity with the equity market, difficulty meeting the requirements or simply a lack of interest. However, the MIIC recognizes that the Junior Market presents tremendous opportunity for small and medium enterprises to raise capital as required, in order to expand their business and make an even greater impact on employment and economic development.

¹⁷See Jamaica Stock Exchange May 29, 2012 : <http://www.jamstockex.com/controller.php?action=readnews&ContentID=16615>

‘Venture Capital’ and ‘angel financing’ are other options that provide opportunities for equity financing. According to the Global Information Technology Report (2010-2011), when Jamaica is assessed for the ease with which entrepreneurs with risky projects, find venture capital, the country ranked 124 out of 138 countries and received a score of 1.90 which is appreciably lower than the global average score of 2.67. This highlights the challenge that exists among innovative businesses in general but is highly likely to be the case even among innovative MSMEs.

b. Policy Objective:

To promote equity financing as a viable financing option for MSMEs.

c. Policy Strategies:

- (i) Continue to promote the Junior Market as a viable financing option for small and medium-sized enterprises.
- (ii) Educate small and medium enterprises on the merits of equity financing and the options available.
- (iii) Collaborate with the private sector to explore the feasibility of establishing a partnership to provide “Angel Financing” or “Venture Capital” for businesses.
- (iv) Foster and promote a structured venture forum environment where investment opportunities can be pitched to potential investors.

CHAPTER 7

ENHANCING BUSINESS DEVELOPMENT SUPPORT

11.0. Policy Element: Comprehensive Training and Development Framework

a. Policy Issue:

Training and development are pivotal to the growth and viability of the MSME sector. The Jamaica Business Development Corporation (JBDC) will lead the process of training MSMEs, with support provided by other key entities such as the HEART Trust/National Training Agency (NTA) and JAMPRO.

JBDC offers:

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

HEART Trust offers:

- Entrepreneurship Skills Development
- Business Incubation
- Career Development Services
- Enterprise Development Services
- Pre-Incubation Training.

JAMPRO offers Investment Promotion as well as Trade and Business Development Services. However, the reach of JBDC and JAMPRO is limited and surveys indicate that only five percent (5%) of the MSME sector is receiving support from either agency. JBDC, in an effort to expand its services, has established Business Information Centers (JAMBICs) across the

island. Presently there are eleven (11) such centers but 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.

There is due recognition that other institutions are engaged in education and training in business and have a fundamental role to play if MSMEs are to flourish. Thus the creation of synergies across the various training agencies, departments and universities to streamline the offering of a comprehensive platform will eliminate the duplication of effort and increase the economies of scale. There also needs to be greater collaboration among all the key stakeholders at all levels nationwide for the provision of training and development services for MSMEs.

b. Policy Objective:

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

c. Policy Strategies:

- (i) Establish the HEART Trust/NTA as the Certifying Authority to develop training programmes and a manual for training Master Trainers who in turn will train others. This training will take place through Community-Based Organisations (CBOs), Faith-Based Organisations (FBOs), educational institutions and private enterprises.
- (ii) Institute a Quality Award System for the three (3) segments of the MSME sector - micro, small and medium. 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 a SME Business News Web Portal to 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) Sensitize sportspersons and sporting clubs and organisations on the need to protect intangible assets such as copyrights, trademarks, patents and rights.

- (v) Develop a system for monitoring and evaluation of programme implementation through which to assess quality and results.
- (vi) Utilize Geo-Informatics Systems to map and create the necessary resource centers/clusters comprising the business information and support services available for the MSMEs.

12.0 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. Employees sometimes lack the necessary facilities such as computer hardware/applications and the requisite 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) Implement a structured and sustainable programme to provide training to MSMEs through Public-Private Partnerships 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.¹⁸

¹⁸ The idea is to provide assistance from “*Concept to Market*,” and transform MSMEs into high-growth enterprises.

- (ii) Encourage strategic alliances among MSMEs to strengthen their technical capacity and reduce their cost of training.
- (iii) Undertake technical workshops with the aim of showcasing new and emerging methods of business operations.
- (iv) 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) Accelerate the wider incorporation of technical/vocational training at the secondary and tertiary levels of the educational system.
- (vi) Promote the enhancement of the Career Advancement Programme (CAP) to facilitate application of technical learning.
- (vii) Promote awareness of the importance of technical skills in the development and growth of Micro and Small Enterprises, through libraries, youth clubs, the 4H Clubs and other relevant outreach programmes.
- (viii) Provide continuous training programmes for MSMEs in the area of Customer Service
- (ix) Continue professional development of MSMEs for keeping in step with changing trends.
- (x) Strengthen and extend partnerships among tertiary institutions and key stakeholders.

13.0 Policy Element: 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 Objective:

To implement a structured Mentorship Programme¹⁹ for the sector.

c. Policy Strategies:

Develop and implement plan for a structured mentorship programme. This programme should:

- (i) Encourage entrepreneurs, senior executives and business professionals with proven track records in particular fields to volunteer as mentors.
- (ii) Recognize business mentors for their contributions through annual awards ceremonies.
- (iii) Provide resources to facilitate networking opportunities.
- (iv) Organize educational activities to enhance the mentorship experience through seminars, workshops, visits, etc.
- (v) Facilitate and promote online business counseling.
- (vi) Establish Quality-Based Competitions in the MSME sector, the reward for which will be mentorship from successful businesses.

¹⁹New Zealand's mentorship service is funded by the private and public sectors and is provided at no cost to registered small businesses. Read more at: <http://www.businessmentors.org.nz/AboutUs.aspx>.

14.0 Policy Element: 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.²⁰ 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. There is also weakness in the bargaining power of MSMEs, especially when dealing with relatively large-scale suppliers and buyers. Furthermore, even when MSMEs have an understanding of the market, they are sometimes challenged by difficulties in procuring raw materials.^{xlix}

b. Policy Objective:

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

c. Policy Strategies:

- (i) Continue to conduct research and disseminate information to local MSMEs about key requirements in international markets.
- (ii) Facilitate the promotion of non-traditional exports such as the creative arts, ethnic food and apparel, through overseas missions and consulates.
- (iii) Continue to provide an outlet for better retailing of products by MSMEs. Emphasis will be placed on the supply of goods to areas with a notable Caribbean Diaspora presence.

²⁰ According to Rudjito, 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.

- (iv) Facilitate the promotion and strengthening of agencies that play a vital role in the areas of Standards-setting, package design and marketing.
- (v) Help to market and showcase the products and services of MSMEs through the World Wide Web.
- (vi) Strengthen agencies that play a key role in the identification, facilitation and development of products with a high export potential.
- (vii) Support business support organizations that promote MSME-produced goods and services among children in schools, so as to develop life-long loyalty to local products.
- (viii) Promote greater linkages among MSMEs and between MSMEs and large businesses in an attempt to increase MSME involvement in the local and global value chain.

15.0 Policy Element: Marketing and Communication Skills

a. Policy Issue:

Demand for the goods and a service from MSMEs is generally hindered by the inability of MSMEs to effectively market their products. Common marketing problems faced by MSMEs include having a limited customer base, lack of access to marketing resources and a lack of formal marketing plans and marketing skills.¹

b. Policy Objective:

To increase the marketing and communication skills of MSMEs.

c. Policy Strategies:

- (i) Promote and facilitate technical training to help build marketing and communication

capacity among MSMEs, through the support of both private and public technical Business Development Service (BDS) providers.

- (ii) Promote MSME 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) Facilitate the use of ICT as an avenue for MSME operators to access information necessary to facilitate “self-paced” empowerment and knowledge.
- (iv) Encourage MSMEs to use online social networks such as Facebook and Twitter, to promote their products.
- (v) Implement structured internship programmes involving tertiary level students in order to increase business development support in the area of marketing and communication.²¹
- (vi) Promote greater use of online services as a marketing strategy.

16.0 Policy Element: Business Clusters/Centres

a. Policy Issue:

Business clusters have been identified as important in the areas of business development, competitiveness, productivity, knowledge-sharing, marketing and networking^{li}. 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.

²¹ This is to be promoted through ongoing collaboration with universities and organizations such as the MSME associations, government BDS providers, faith-based business organizations and community-based business organizations.

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) Collaborate with the private sector, MSME associations and academia to deliver a pointed and persistent education programme to inform MSMEs of the benefits of being part of a cluster.
- (ii) Facilitate the hosting of quarterly idea exchange sessions for specific business clusters across the country. In addition to the exchange of ideas, there should be relevant presentations that will help to ignite creative thinking especially among business leaders
- (iii) Seek technical assistance from multilateral institutions to support the formation and/or improvement of business clusters.
- (iv) Partner with real estate owners/developers to provide parcels of land (particularly those with existing suitable building infrastructure) to be leased for small business development.
- (v) 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.

17.0 Policy Element: Standards, Quality and Safety of Products and Services

a. Policy Issue:

Market access²² is generally a challenge for MSMEs because of the technical barriers faced when seeking to enter some overseas markets. These barriers include standards, certification²³ and accreditation²⁴ requirements, rules of origin, customs procedures and labeling and packaging rules.

MSMEs generally lack the capacity to identify and meet the standards and other requirements of export markets. One reason for this is the relatively low level of awareness of the importance of standards and quality while another is that they do not possess the requisite financial resources to make the necessary improvements to their processes. The capacity of MSMEs to be competitive in terms of quality of goods and services provided should therefore be upgraded. This implies a need to focus efforts towards building and/or strengthening MSMEs' capacity to become more competitive and to gain and or increase market access overseas. One such area of capacity building is in the implementation of standards (including quality, environmental and food safety management systems standards). The EU is well known for its high standards not only for food products but also for a range of other products. It is to be noted that food exported to European markets must comply with the Hazard Analysis and Critical Control Points (HACCP)²⁵ requirements.

Accreditation is critical to gaining market access. When products exported are accompanied by certificates of analysis bearing the symbol of a recognized accreditation body, the product is accepted by the importing country so eliminating the need for goods

²² Market access refers to the conditions, tariff and non-tariff measures for the entry of specific goods into export markets.

²³ In the context of ISO 9001:2008 or ISO 14001:2004 certification refers to the issuance of a written assurance (the certificate) by an independent external body that has audited a management system and verified that it conforms to the requirements specified in the standards.

²⁴ Accreditation refers to the formal recognition by an independent third party entity (an accreditation body) that specified requirements related to conformity assessment bodies (laboratories, and inspection and certification bodies) have been met and that the accredited body is competent to perform specific tasks

²⁵ Hazard Analysis Critical Control Points (HACCP) is a methodology, which food processors, packagers and distributors must use to identify the potential hazards that can be introduced while food is under their care. Furthermore, it determines how those hazards can be prevented, eliminated or reduced to acceptable levels.

to be held in the ports and retested. Two USA regulations, the Consumer Product Safety Improvement Act, 2008 and the Food Safety Modernization Act (FSMA), 2011, require the use of accredited laboratories for certifying products to be exported to the USA. Accreditation therefore enables access to world markets by allowing products to be tested once in Jamaica and accepted everywhere. Therefore, for entry into the markets with accreditation requirements, MSMEs should ensure that the laboratories which they select to test their products are accredited.

b. Policy Objective:

To increase the competitiveness and market access of good and services produced by MSMEs through standards, certification and accreditation.

c. Policy Strategies:

- (i) Identify and address the issues MSMEs face with becoming involved in the standards development process.
- (ii) Develop and implement communication mechanisms to increase the awareness of MSMEs about the benefits of standards and certification (product and management systems).
- (iii) Develop and implement initiatives (e.g. provision of training, technical guidance, grants) to support MSMEs in the implementation and maintenance of regional and international standards.
- (iv) Encourage MSMEs to seek certification (product and management system) for their goods and services.
- (v) Develop and strengthen the capacity of local intermediaries (e.g. business support organizations {BSOs}) to provide services to MSMEs in the implementation and maintenance of regional and international standards.

- (vi) Facilitate development of sector-specific standards for the priority sectors identified in national policies and plans such as the National Export Strategy.
- (vii) Develop, maintain and publicize a database of accredited conformity assessment bodies (laboratories, inspection and certification bodies) and certified companies.
- (viii) Identify and seek to reduce or remove selected business constraints, including technical barriers to trade, faced by MSMEs.
- (ix) Ensure that relevant and up-to-date information on standards-related market access requirements in export countries is identified and provided to MSMEs.
- (x) Promote the certification and accreditation services provided by the National Certification Body (NCBJ) and the Jamaican National Agency for Accreditation (JANAAC).
- (xi) Provide accreditation-related training and make relevant technical information available to MSMEs.
- (xii) Promote ISO 9001-2008 quality management system certification across the entire public and private sectors to modernize quality management systems in their organizations.

18.0 Policy Element: Labour Productivity and Labour Conditions

a. Policy Issue:

The Jamaica Productivity Centre (JPC) reports that labour productivity (or output per worker) has declined at an average annual rate of 1.3 per cent between 1973 and 2007. Labour productivity in Jamaica compares poorly with that of its trading partners and neighbours in the Caribbean which have experienced annual increases of 1.5 per cent since 1972. According to the JPC, the average worker in Trinidad and Tobago was three times more productive than the average Jamaican worker when measured in 1997 and

this gap widened significantly by 2007.²⁶ The PIOJ explains that several factors contribute to low labour productivity, including inadequate investment in human and physical capital, inadequate investment in science and technology, inadequate plant organization and management systems, and poor labour-management relations.²⁷

While the MSME sector is a significant contributor to employment in Jamaica, the conditions of employment within the sector must also be addressed. The Labour Market and Productivity Sector Plan (contained in the Vision 2030 National Development Plan) recognizes that more needs to be done to improve working conditions especially among small and medium-sized enterprises. Within these enterprises ‘workers are often subject to a less than acceptable physical environment in their places of work, gender discrimination,..., employers fail to honour laws relating to vacation and maternity leave entitlement, there is union busting, poor occupational health and safety standards... among other infractions.’²⁸

b. Policy Objective:

To build an internationally competitive labour force that will bolster productivity performance.

c. Policy Strategies:

- (i) Encourage MSMEs to utilize the technical assistance offered by the Jamaica Productivity Centre.²⁹
- (ii) Increase the capacity of the Jamaica Productivity Centre to enable it to expand technical assistance to all MSMEs.

²⁶Jamaica Productivity Centre, Jamaica: Productivity Summary Report 1972-2007 (see page v)

²⁷Labour Market and Productivity Sector Plan, (Page 25)

See http://www.vision2030.gov.jm/Portals/0/Sector_Plan/Microsoft%20Word%20-%20%20Labour%20Market%20&%20Productivity%20%20.pdf

²⁸Labour Market and Productivity Sector Plan, (Page 41)

See http://www.vision2030.gov.jm/Portals/0/Sector_Plan/Microsoft%20Word%20-%20%20Labour%20Market%20&%20Productivity%20%20.pdf,

²⁹The Jamaica Productivity Centre (JPC) offers Productivity Advisory Services to private and public organizations and industries that will enhance their capacity to initiate and sustain productivity growth. Services are offered in the following areas: process and systems improvement, inventory control, quality control, Kaizen management, energy productivity, benchmarking and best practices and productivity-linked wage systems (PLWS). See: <http://www.jpc.com.jm/services.html>

- (iii) Encourage and reward MSMEs that offer training and development opportunities for staff.
- (iv) Enforce existing legislation regarding occupational health and safety and other issues including those relating to sexual harassment at the workplace and the promotion of ‘decent work.’
- (v) Increase awareness and facilitate greater utilization of the services provided by the Ministry of Labour and Social Security to help MSMEs with effective job matching.³⁰

19.0. Policy Element: Creative Industries

a. Policy Issue:

The success of MSMEs will be dependent on their ability to eke out possibilities and opportunities through the generation of ideas for novel products and services and to create objects of arts. Jamaica is endowed with manifold creative offerings which have helped to shape its culture and confirm its level of innovativeness over the years. These creative offerings generally fall within the category of ‘Creative Industries’ which emerge from the individual creativity, talent and skill of the Jamaican people. The Vision 2030 National Development Plan identifies these as industries involved in 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 and/or services.’^{lii}

The Creative Industries in Jamaica encompass inter alia film, music, crafts, fashion and sports. These involve activities such as printing, publishing and production of multimedia, audio-visual, phonographic and cinematographic materials. Creative industries may also encompass architecture, sports, manufacturing of musical instruments, visual and performing arts, advertising and cultural tourism. These industries possess strong linkages potential to many sectors of the economy and have the potential to generate wealth and create meaningful employment.³¹ A study commissioned by the World Intellectual Property Organization (WIPO) the UN specialized agency for the protection of intellectual property, shows that copyright industries contribute roughly 4.8 per cent to the GDP of Jamaica, and account for 3.0 per cent of

³⁰The Ministry of Labour and Social Security offers job matching services through the Electronic Labour Exchange (ELE). The ELE allows employers to access a large pool of potential applicants no cost.

³¹See Vision 2030 National Development Plan, pg. 217

all employment, these are by very conservative estimates being the first such study done in the Caribbean. The Vision 2030 National Development Plan also highlights these industries as capable of becoming major contributors to economic growth based on the country's 'demonstrated competitive advantages and the projected long-term expansion of the global creative economy'.

Creative industries are fraught with challenges that can only serve to undermine their true value to the Jamaican economy, if not addressed. Some of these challenges include: high levels of piracy, limited access to capital, limited resources allocated to the development of the industries, inadequate training and education opportunities, lack of suitable method for tax assessments for entrepreneurs/businesses in these industries, lack of national statistics, challenges with enforcement of contracts, lack of understanding of intellectual property, lack of commercialization in general, and limited ownership/presence in the marketing and distribution channels for the industries.³² The applicability of various trade agreements such as the CSME and the EPA also poses challenges for the creative industries, particularly as it relates to travelling abroad (issues include unclear definitions of artistes, unclear processes required for entry into new markets etc.)

b. Policy Objective:

To create an enabling institutional and legislative framework to aid the development of creative enterprises

c. Policy Strategies:

- (i) Facilitate special training³³ for micro, small and medium-sized entrepreneurs operating in the creative industries. Training should be offered in areas such as business practices for these industries and the use of ICT tools in production and commercialization of creative goods and services

³²See discussion on issues and challenges in Vision 2030 National Development Plan

³³One area that has been identified for these special training is contract enforcement.

- (ii) Facilitate e-training through Massive Open Online Courses (MOCCs) which are available in business practices, film-making etc.
- (iii) Facilitate greater links with the Diaspora to expand the market for authentic creative goods and services
- (iv) Promote non-traditional exports in the creative industries e.g. creative arts, ethnic food, and apparel
- (v) Increase awareness of the global creative economy among entrepreneurs
- (vi) Address issues related to the implementation of the various trade agreements and facilitate greater ease of entry into African, Caribbean and Pacific markets (also see policy element 6.0 on internationalization of MSMEs)
- (vii) Increase funding to the Jamaica Intellectual Property Office (JIPO) to help increase public awareness of the value of intellectual property and how to secure it
- (viii) Create greater linkages between the creative industries and other sectors of the economy such as tourism
- (ix) Develop networks and clusters specifically for the creative industries (see policy element 16.0 on strategies to develop business clusters)
- (x) Establish more business incubators for creative entrepreneurs³⁴
- (xi) Encourage greater application of ICT in the production, distribution and marketing of creative products and services

³⁴More incubators are needed for specific industries, such as fashion (see the Toronto Fashion Incubator (<http://fashionincubator.on.ca/>)). The JBDC and other stakeholders will continue to be integral to the process of establishing business incubators through its Incubators and Resource Centre

- (xii) Provide more suitable financing options for entrepreneurs operating in creative industries (see chapter 6 which outlines strategies for financing MSMEs in general; policy elements 7.0 and 10.0 on policy strategies to support non-traditional collateral financing and equity financing, respectively, are suitable for the creative industries)
- (xiii) Provide more information on creative industries through Jamaica Business Information Centres (JAMBICs)³⁵
- (xiv) Strengthen institutional support organizations such as Jamaica Intellectual Property Office (JIPO), Jamaica Association of Composers, Authors and Publishers Limited (JACAP), Jamaican Copyright Licensing Agency (JCAP) and Jamaica Music Society (JAMMS)
- (xv) Consider waiving IP registration fees to drive registration and commercialization on IP
- (xvi) Increase data and information on the creative industries and update study on economic contribution of the Copyright-based industries in Jamaica

³⁵It is recommended that Business Information Centres should have subscriptions to the relevant trade journals and publications for the relevant creative industries available as part of the offering of these centres

CHAPTER 8

FOSTERING A CULTURE OF ENTREPRENEURSHIP AND INNOVATION

20.0 Policy Element: 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 promote sound entrepreneurial practices 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) Introduce entrepreneurship in 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.^{liii}

- (iii) Expand the current Young Entrepreneurship Programme and encourage all business students to establish businesses in their institutions.
- (iv) Partner with the MSME Alliance, SBAJ, PSOJ, JCC, JMA, JEA, WBO including other key private sector entities and 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.
- (vii) Develop a Strategic Plan that 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, Financial Projections, Managing a Business (JBDC), Innovation and Competitiveness (MIIC), Intellectual Property (JIPO), Product Standardization and Development (BSJ and SRC), Market Development and Promotion (JAMPRO and JBDC)*, et al.
- (vi) 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.
- (xi) Promote the use of an objective approach for offering assistance to innovating MSMEs. This approach should ensure that businesses that are innovative are given certain incentives to help them to develop.
- (xii) Encourage MSMEs to enhance the creative performance of employees as a strategy to achieve competitive advantage and spur innovation at all levels of the organization

21.0 Policy Element: Business Sustainability and Fear of Failure

a. Policy Issue:

The capacity of MSMEs to endure and create value over time is an issue of grave concern according to the Global Entrepreneurship Monitor who recommended, in the 2010 (see page 77) Jamaica report that “greater emphasis needs to be placed on the long term sustainability of start ups, business growth, and reducing business discontinuation.” Among the major barriers to business entry and exit that influence a person’s decision to start or to grow a business is the fear and ‘stigma’ of failure.^{liv} Research also shows that the perception of the costs of business failure can be a disincentive to entrepreneurship.^{lv} The Global Entrepreneurship Monitor Jamaica 2010 Report (see page 23) shows that in 2008, 26% of adults in Jamaica with positive perceived opportunities indicated that fear of failure would prevent them from setting up a business. This proportion declined to 24% in 2009 but grew to 33% in 2010.^{lvi}

The Global Entrepreneurship Monitor Report (2008) observed that losses and financial hardship accounted for 64% of business closures.^{lvii} Small enterprises often do not have surplus resources or organizational slack to withstand environmental jolts. Therefore, policy support is necessary to assist business turnaround of viable MSMEs in profit trouble. Lawrence (2007/8 and 2012) noted a positive correlation between the age of the MSME and the number of its employees. MSME discontinuation not only destroys economic value but also frustrates national efforts to create new jobs.

b. Policy Objective:

To assist viable MSMEs experiencing losses or insolvency to restructure and turnaround

c. Policy Strategies:

- (i) Develop and communicate bankruptcy legislation for re-organization of viable MSMEs in financial distress.

- (ii) Educate business owners and managers on how to choose and execute strategies for sustainable turnaround.

- (iii) Encourage private firms to provide counselling and advisory services to troubled firms.

22.0 Policy Element: Innovation and Productivity through Science and Technology and Research and Development

a. Policy Issue:

The utilization of suitable science and technology and research and development (R&D) in any organization is a key driver in creating higher levels of productivity within businesses and for the country in general. Increased innovation and greater use of science and technology contribute to the country's total factor productivity (TFP).³⁶ According to the Jamaica Productivity Centre (JPC), during periods of improvement in TFP, growth in the Jamaican economy was positive, and during periods of negative economic growth, TFP growth was also negative.³⁷

Although science and technology are widely accepted as key drivers of economic growth, expenditure in this area is limited. According to Jamaica's National Development (Vision 2030), one of the main factors hampering greater exploitation of science, technology and innovation is the low levels of investments in scientific research and development. Jamaica spends 0.3% of GDP on scientific research and development and comparatively, this rate of investment ranks low with developed countries; the average expenditure on R&D for Latin America and the Caribbean is 0.6 % of GDP.

On the one hand, the country appears to be doing fairly well in making the latest technology available, as it is ranked 52/138 for 'availability of latest technologies' according to the Global Information Technology Report (2010 -2011), and had a score of 5.48 which is above the global mean of 5.06. However, according to the same report, the country ranked 122/138 among countries for 'availability of scientists and engineers'. This low rank corresponds with a score of 3.13 which is significantly lower than the global average score of 4.10. Jamaica also performed poorly when compared with other

³⁶Total Factor Productivity is a measure that accounts for the changes in output that are not attributable to changes in the factors of production such as labour and capital.

³⁷See Jamaica Productivity Centre, Jamaica: Productivity Summary Report 1972-2007 (see page 4)

countries in the area of ‘availability of specialized research and training services’; it ranked 99th of 138 countries in the Global Information Technology Report (2010-2011) in this area.

The relatively low utilization of science and technology among businesses in Jamaica can also be inferred from the Global Information Technology Report (2010-2011) which underscores the country’s poor performance in its ‘capacity for innovation’ and ‘firm-level technology absorption’ for which the country respectively ranked 107th and 74th among 138 countries.^{lviii} Among MSMEs, there appears to be little awareness and utilization of scientific and technological services. According to a 2008 study of MSMEs in Jamaica, 48% of MSMEs surveyed believed that their businesses were ‘strong’ in the area of technology/innovation/creativity, 36% felt their businesses were ‘moderately strong’ in this area and 16% felt that their businesses were ‘weak’ in this area.^{lix}

b. Policy Objective:

To foster a culture of innovation through more productive use of science and technology and R&D among MSMEs.

c. Policy Strategies:

- (i) Partner with the MSME umbrella organizations to actively promote awareness of the importance of technology in today’s competitive global marketplace.
- (ii) In the short term, HEART Trust/NTA will deliver on-the-job sensitization and training modules with emphasis on making the existing technologies more efficient.
- (iii) Establish Business Incubators and Entrepreneurial Production Centres (EPCs) to support MSMEs involved in science, technology and innovation.
- (iv) Promote greater use of technology especially in schools.³⁸
- (v) Provide information on innovation and technological and scientific business development services afforded by private and public institutions.³⁹

³⁸ This has been done in other countries such as Japan and India.

- (vi) Encourage umbrella organizations to provide information on technological and scientific business development services.
- (vii) Encourage MSME umbrella organizations, business development service providers etc., to develop and use online customer/client relationship management software to help stimulate productivity and technological adaptation.
- (viii) Spearhead the process of aligning the scientific research and development resources of the country to the opportunities in the marketplace through Ministry-University-Industry collaboration.
- (ix) Develop an appropriate legislative framework to govern matters related to patent legislation.
- (x) Increase the capacity of the Jamaica Intellectual Property Office (JIPO) to enable it to carry out its mandate more effectively.

23.0 Policy Element: Innovation and Productivity through Information and Communication Technology (ICT)

a. Policy Issue:

The ICT sector provides opportunities for MSMEs, regardless of the industries in which they operate. There is little emphasis on the use of ICT in helping to simplify business procedures, marketing, advertising products and services and boosting productivity in product development. The demand for ICT products and services among MSMEs in Jamaica is low. A 2008 study on MSMEs in Jamaica revealed the following:^{ix}

- More than half of the micro-enterprises, and almost 40% and 30% of small and medium-sized enterprises respectively surveyed in 2008 did not use any form of ICT
- Only 14.4% of the MSMEs surveyed in 2008 used a computer in their business, 13.8% used email, and 8.6% had a website
- Only 5.4% of the MSMEs surveyed sold their goods and services online

³⁹ The MIIC is developing a Jamaica Business Information System (JBIS) which will facilitate this initiative.

- Only 8.2% of the MSMEs surveyed were aware of the innovation and technology services provided by suppliers, and 0.3% used these services
- There was insufficient recognition of the numerous different types of incremental improvements in practice that constitute innovation
- The sophistication of Jamaican production processes is well below the world average
- Many micro and small firms tend to be intimidated by even the concept of technology-driven innovation.

The supply of ICT providers is another area of concern. The suppliers of ICT products and services also require an enabling environment that will ensure that their intellectual property is protected and that the appropriate cyber crime laws are enforced. This requires a suitable regulatory and legislative environment that will foster new ideas and support the commercialization of those ideas. High-tech MSMEs that may wish to undertake research and development may face difficulty sourcing financing to cover high cost associated with such activities. Funding for these activities is especially difficult due to, among other things, the specialist nature of these products or processes to be researched.^{lxi}

b. Policy Objective:

To create an enabling environment that will help to foster innovation among MSMEs through greater supply of and demand for ICT products and services.

c. Policy Strategies:

- (i) Support technical training and education to develop a cadre of knowledge workers capable of being instrumental in local and international investments in the ICT sector and the wider economy.
- (ii) Support technical training and education to develop a cadre of qualified WOBs capable of partnering with foreign direct investors in at least 30% of approved projects in the ICT sector.

- (iii) Introduce new ICT-enabled services to the sector, including Mobile Money⁴⁰ and other innovative products and services that will boost the productivity of MSMEs as well as enhance the delivery of business service providers in the sector. Facilitate the provision of private equity financing and other types of financing options for high-tech MSMEs (those involved in innovation and creation of ICT products and services) that need to acquire ICTs for business development purposes.
- (iv) Foster the development of an appropriate legislative framework to support businesses that use or supply ICT products and services.
- (v) Promote the marketing of local products and services through online social networks.
- (vi) Collaborate with umbrella organizations to encourage more MSMEs to take advantage of e-commerce opportunities.
- (vii) Expand ICT infrastructure by collaborating with providers of low cost broadband services that can be accessible to all businesses.

⁴⁰ One of the areas currently being explored is the introduction of a mobile money platform to help to facilitate micro-finance services to the sector.

CHAPTER 9

TACKLING CROSS-CUTTING ISSUES

24.0 Policy Element: Social Capital

a. Policy Issue:

MSMEs are faced with several social challenges that stem from a general deterioration in the country's social capital. That is, many challenges facing the sector emanate from a break-down of the norms, values, obligations and trust embedded in the country's social structures, social interactions and overall social institutional arrangements that are crucial to facilitating cooperation within and among organizations and helping businesses to grow. Enterprise-related social capital can be promoted especially for the benefit of increasing the flow of knowledge and information through formalized and non-formalized inter-firm relations. Through firm to firm interaction, stronger alliances can be formed, feedback from customers is quicker and more frequent and innovative activities (developing new products, new production methods) can be supported as firms interact. Greater levels of trust and cooperation (environment-related social capital), especially among MSMEs can also help them to lobby matters affecting the sector, and build goodwill/good public relations by sponsoring schools, the poor etc., through their organizations.^{lxii}

b. Policy Objective:

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

c. Policy Strategy:

Collaborate with MSME umbrella organizations and trade associations to foster greater social capital among MSMEs through programmes aimed at:

- strengthening social cohesiveness, unity, cooperation, trust and solidarity

- improving knowledge sharing and information symmetry
- building and strengthening existing networks
- improving experience sharing and best practices
- developing Jamaican employees and leaders with a global mindset and understanding of Jamaica's role in the world
- building strong, confident, socially-conscious and socially-responsible citizens
- sensitizing MSMEs as to their responsibility to the consumers under the Consumer Protection Act
- encouraging MSME umbrella organizations to take a united and harmonized approach to seeking Government's intervention as and when deemed necessary.

25.0 Policy Element: Gender Sensitivities in Business

a. Policy Issue:

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.”* 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.

b. Policy Objective:

To ensure equality and equity of opportunities between women-owned and men-owned Business

c. Policy Strategies:

- (i) Continuously identify factors that constrain the participation of women in business, through partnership with the Women Owners Limited and other women's associations and develop appropriate strategies to address the constraints.
- (ii) Build capacity of organizations/entities to design and deliver programmes that take the unique challenges of female and men entrepreneurs into account.
- (iii) Facilitate training with at least fifty percent (50%) of training resources allocated to women entrepreneurs.
- (iv) Develop business incubators, to facilitate innovation particularly in ICT and the use of indigenous material, with at least thirty percent (30%) WOB occupation.
- (v) Partner with Women Owners Limited in the development of business-related policies/strategies for women.

26.0 Policy Element: Persons with Disabilities

a. Policy Issue:

Indications are that although persons with disabilities are still employable and are being employed, there remains a high level of unemployment within the group. As of December 2011, The Jamaica Council for Persons with Disabilities (JCPD), an agency of the Ministry of Labour and Social Security, had registered some 12,045 disabled Jamaicans⁴¹ but believed that the number of physically challenged persons living on the island is closer to 400,000. For many persons with disabilities or debilitating conditions, self-employment offers the hope of both making a living and achieving self-sufficiency.

⁴¹ See ESSJ 2011

The difficulties experienced in finding appropriate work may be a driving force for an increasing number of persons with disabilities to start their own businesses; yet they do not enjoy full inclusion or equal opportunities for the survival of their businesses. Self-employment provides persons from the disabled community with a freedom to work at their own pace and to work in a familiar environment that accommodates their special needs. Being owners of business often provides the flexibility necessary to those who require frequent medical attention, flexible hours, accessible work space, or other special considerations. Jamaica has made strides in addressing the needs of the disabled community but there is still a much more that can be done, especially in the area of entrepreneurial support.

b. Policy Objective:

To provide full inclusion, opportunities and support for persons with disabilities within the business community

c. Policy Strategies:

- (i) Build the capacity of organizations/entities to design and deliver programmes that consider the needs of physically challenged entrepreneurs
- (ii) Establish programmes or a web portal dedicated to the promotion, networking and education of physically challenged entrepreneurs
- (iii) Provide increased funding for the small-scale entrepreneurship venture under the Rehabilitation Grant
- (iv) Develop, by means of the MIIC and its agencies partnering with the Jamaica Council for Persons with Disabilities, special training programmes that respond to needs of business operators with disabilities
- (v) Ensure that at least five per cent (5%) of participants in all relevant training programmes offered by the MIIC and its agencies comprise persons with disabilities

- (vi) Encourage MDAs outside of MIIC and its agencies as well as NGOs and other groups to provide training, financing and other business development support to persons with disabilities
- (vii) Ensure the MSME and Entrepreneurship Policy and all relevant documents used for business development are converted to Braille and other formats for ease of access for persons with disabilities.

27.0 Policy Element: Youth⁴² in Business

a. Policy Issue:

In 2011 the youth population of Jamaica (persons 15 to 24 years of age) was approximately 17.0 percent of the population and totaled 460,900. Of this number approximately 140,000 were classified as unattached, that is, not in school or employed. While a significant number of the nation's youth are disconnected from education and appropriate employment, it is believed that given the right support and interventions, the potential creativity of this group can be harnessed to establish enterprises that will contribute to national development.

Engaging youth in organized activities directed towards the creation of an entrepreneurial culture will serve to harness their enthusiasm and innovative ideas to increase personal development, social stability as well as economic growth. The trajectory towards self-employment and entrepreneurship should therefore be encouraged to meet career aspirations and fulfill financial needs. Policy element 19.0 elaborates on how the education system can begin the process of inculcating a culture of entrepreneurship among the youth. The focus in this section is on strategies for youth employment and empowerment for those who are unattached.

⁴²This policy adopts the definition for 'youth' used in the National Youth Policy; A youth is 'someone between the ages 15 –24 who has passed through the dependent stage of childhood, in the semi-independence of adolescence or who will soon acquire the maturity of adulthood'. See:

http://planipolis.iiep.unesco.org/upload/Youth/Jamaica/Jamaica_2003YouthPolicy.pdf

b. Policy Objective:

To encourage and support youth entrepreneurship as a strategy for youth empowerment and employment

c. Policy Strategies:

Implement the Youth Entrepreneurship Strategy in an attempt to create an enabling framework for the development of successful and sustainable youth-led businesses.

Under this strategy, efforts should be made to:

- i. establish projects and programmes on entrepreneurship that specifically target unattached youth, in an effort to bring them into the mainstream of society through self-employment
- ii. partner with institutions such as the HEART/NTA to attract and engage youth in basic literacy and numeracy skills development to help with assimilation of information on entrepreneurship
- iii. enhance the reach of the JBDC by equipping it with resources that will help them to provide mentors for the youth
- iv. create community clusters for youth-led enterprises
- v. strengthen NGOs such as the People's Action for Community Transaction⁴³ (PACT) to help encourage interest in entrepreneurship.

⁴³The PACT is a coalition of community-based and non-government organizations that work at the community level to implement programmes in the voluntary sector. Read more: <http://www.jamaica-kidz.com/pact/>

28.0 Policy Element: Environmental Degradation

a. Policy Issue:

The business practices of some MSMEs pose serious threats 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:

To ensure that proper systems, including an environmentally aware/friendly culture, are in place to ensure environmental protection.

c. Policy Strategies:

- (i) Sensitize MSMEs on the need to protect the environment.
- (ii) 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) Promote conformity among MSMEs, to National Environmental Policies and Legislation.
- (iv) Recognize, through national awards, MSMEs that undertake 'green initiatives' which contribute to sustainable development.

29.0 Policy Element: 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.

b. Policy Objective:

To improve the capacity of the Public Sector to collect 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, etc.

- Provide funding to academia to allow for support to the Government in undertaking research and studies
- (ii) Sensitize MSMEs about the importance of gathering data for policy formulation and decision- making
- (iv) Impose mandatory reporting requirements on business activities
- (v) Use impact assessment tools to help with evaluation of policy strategies
- (vi) Ensure acceptance of the definition for MSMEs among all stakeholders to help to standardize data collection and reporting
- (iii) Implement National Strategy for collecting and disseminating data and information on MSMEs.
- (iv) Establish council consisting of trade associations, academia and statistical agencies to oversee the acquisition and dissemination of data and information on the sector.
- (vii) Increase the use of Geographic Information Systems to help map locations of businesses and other relevant information on the MSME sector.

30.0 Policy Element: Public Education Programme

a. Policy Issue:

MSMEs lack awareness of the factors which impede (or can enhance) their development and growth, including available services, programmes and initiatives. In addition, though business development support is provided by private and public BDS providers, a significant number of MSMEs are unaware of these services.

b. Policy Objective:

To provide ongoing informational support to MSMEs.

c.Policy Strategies:

- (i) 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 range of available services and initiatives.
- (ii) Partner with the Jamaica Exporters' Association (JEA) and the Jamaica Chamber of Commerce (JCC) to increase the number of Information Centres.
- (iii) Partner with the Social Development Commission (SDC), Faith-Based Organizations (FBOs) and Community-Based Organizations (CBOs) to promote service offerings available through business development service providers.
- (iv) Partner with the Jamaica Information Service (JIS) and other media houses to further publicize the available services offered by business development service providers.
- (v) Partner with the private sector to train businesses in the area of customer service.

CHAPTER 10

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 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 or Semi-Annual Review System in place. A rigid monitoring and evaluation system will also be developed and implemented to ensure that the Strategic Objectives are met.

The policy will be evaluated after the first year of implementation. Thereafter, reviews will be conducted every two (2) years (at minimum) to meet the changing needs of the MSME sector. A Progress and Analysis Report with respect to the impact and achievements will be prepared to inform such review and modifications.

APPENDIX 1: STAKEHOLDER CONSULTATIONS

MSME POLICY CONSULTATIONS –MAY 17 – 19, 2011

Anti-Dumping & Subsidies Commission (ADSC)	Jamaica Social Investment Fund (JSIF)
Association of Development Agencies	Jamaica Stock Exchange (JSE)
Bank of Jamaica	JN Small Business Loan
Business Consultant	Micro Investment Development Agency (MIDA)
Caribbean Aerospace College	Ministry of Agriculture & Fisheries (MOAF)
COK Credit Union	Ministry of Education (MOE)
COK Sodality Co-operative Credit Union	Ministry of Foreign Affairs & Foreign Trade (MFAFT)
Companies Office of Jamaica (COJ)	Ministry of Industry, Investment & Commerce (MIIC)
Consultant	Ministry of Justice (MOJ)
Consumer Affairs Commission (CAC)	Ministry of Local Government & Community Development
Churches Credit Union	Ministry of Tourism (MOT)
Department of Management Studies, UWI	Ministry of Youth, Sports and Culture (MYSC)
Development Bank of Jamaica (DBJ)	NCU – College of Business & Hospitality Management
EXIM Bank	Organization of American States (OAS)
Fair Trading Commission (FTC)	PC Bank (Kingston)
First Union Financial Co. Ltd.	Private Sector Organization of Jamaica (PSOJ)
CEO,GOV,EU CMU	Planning Institute of Jamaica (PIOJ)
Jamaica Microfinance Association	Rural Agricultural Development Agency (RADA)
HEART/NTA	School of Entrepreneurship Ethics & Leadership, UTECH
Institute of Social Entrepreneurship & Equity, UCC	Scientific Research Council (SRC)
Jamaica Bankers Association (JBA)	Small Business Association of Jamaica (SBAJ)
Jamaica Business Development Corporation (JBDC)	Social Development Commission (SDC)
Jamaica Chamber of Commerce (JCC)	Strategy – ICT & Creative Industries?
Jamaica Exporters Association	Tax Administration Jamaica (TAJ)
Jamaica Vendors Higglers & Markets Association (JVHMA)	Tourism Product Development Company
Jamaica Intellectual Property Office (JIPO)	Trade Board Limited
Jamaica Manufacturers' Association (JMA)	UTECH/MSME Alliance
Jamaica Micro Finance Association (JAMFA)	
Jamaica National Agency for Accreditation (JANAAC)	
Jamaica Promotions Corporation (JAMPRO)	

REGIONAL PUBLIC CONSULTATION - MANDEVILLE, MANCHESTER – JUNE 21, 2011

Dervon Barrett Upholstery	National PC Bank
Front Porch Gift & Craft	Northern Caribbean University
JB's Catering	Retired Teacher
JNSBL	SCF
Mack John Traders	Sitam Agencies
Mundle & Son Enterprise	Thomas Forbes & Associates

CARL RATTRAY COLLEGE - RUNAWAY BAY – JUNE 22, 2011

Big Accounting Services
Brown's town Community College
Department of Correctional Services
JHTA/JAVA
Jam Dung Bar & Grill
JN Small Business

KD&R Enterprises Limited
MPCB Moneague.
National P C Bank
Seacrest Resort Co. Ltd
Smart Edge Concepts
Sunflower

WEXFORD HOTEL - MONTEGO BAY – JUNE 23, 2011

D's Exotic Creation
Exodus Gospel Limited
Jamaica Promotions Corp (JAMPRO)
JNSBL
Montego Bay Community College

New Life Discipleship
NPCB
Tastee Limited
White House E.C.C.

HOLY CROSS CHURCH - ST. ANDREW – JUNE 27, 2011

Boldeck Jamaica
Dept. Co-op & Fr. Societies
Entrepreneur
JACAP
JCC/Attorney-at-law
JNSBL
Johnson Organic Fertilizer
Living Juice

National People's Corp.
Progressive Innovative Enterprise
SBE Business Support Centre
Self Employed
Steep International
Ultra Media Sales
UTech School of Business

MSME DEFINITION WORKSHOP - AUGUST 11, 2011

ADA
Churches Credit Union
Development Bank of Jamaica
Jamaica Business Dev. Co.
Jamaica Manufacturer Assoc
Jamaica Vendors Higglers & Markets
Association
JN Small Business Loans Ltd.
Micro Investment Development Agency
Ministry of Industry Investment and Commerce

Mona School of Business (UWI)
Planning Institute of Jamaica (PIOJ)
Private Sector Organization of Jamaica (PSOJ)
Scotiabank Jamaica Limited
Self-Start Fund
Small Business Association of Jamaica (SBAJ)
Statistical Institute of Jamaica
University of the West Indies (UWI)
University of Technology (UTECH)

MSME POLICY CONSULTATION MEETING WITH ACADEMIA – DECEMBER 1, 2011

I-SEE, UCC
MIIC – Commerce
MIIC – Communications
MIIC – Industry
MIIC – Policy
MIIC – Self Start Fund

MIIC – Technology
Northern Caribbean University
University of Technology
UTECH
University of the West Indies

VALIDATION WORKSHOP TO REVIEW MSME AND ENTREPRENEURSHIP POLICY – MAY 17, 2012

Bureau of Standard Jamaica
Cabinet Office
Companies Office of Jamaica
Consultant – Self-employed
Consumer Affairs Commission
Fair Trading Commission
First Union Bank
Fair Trading Commission
HEART Trust/NTA
Ministry of Industry Investment and Commerce
MIIC – Consultant
Self Start Fund
Ministry of Agriculture & Fisheries
Ministry of Foreign Affairs & Foreign Trade
(MFAFT)

Ministry of Justice
Ministry of Tourism & Environment
NCYD
Northern Caribbean University
Nuff Hope
OAS
Planning Institute of Jamaica
STATIN
SBAJ
Scotiabank Jamaica
Self-Start Fund
Trade Board Limited
Visual & Performing Arts Jamaica

DATA COMPILATION AND ANALYSIS ON THE MSME SECTOR – JULY 25, 2012

Companies Office of Jamaica
Development Bank of Jamaica (DBJ)
EXIM Bank
Jamaica Business Development Corporation
Micro Investment Development Agency
Self Start Fund
Ministry of Industry, Investment and Commerce
MSME Alliance
Small Business Association of Jamaica
Statistical Institute of Jamaica
Planning Institute of Jamaica

APPENDIX 2: GENERAL DESCRIPTION OF THE SURVEYS

McFarlane, Carmen (September 1997) *A Comprehensive Description of the Jamaican Micro and Small Enterprise*. Prepared by Carmen McFarlane of McFarlane Consultants.

The 1996 Micro and Small Enterprise Survey was a multi-stage survey of 2,000 non-agricultural micro and small businesses. The three stage sampling design involved the selection of geographic areas (Primary Sampling Units) and the identification of all non-agricultural businesses in these units, the preparation of the list of non-agricultural businesses operating in selected areas and the enumeration of selected businesses, including open-air and mobile non-agricultural micro and small businesses operated by residents living in the selected geographic areas and non-agricultural micro and small businesses within buildings and other structures situated within the boundaries of the Enumeration District.

The classification for the business establishments used in this study is follows:

Classification by Number of Employees
Own account workers with no paid employees
Businesses with 1-4 paid employees
Businesses with 5-9 paid employees

It should be noted that the term ‘micro-enterprises’ was used in reference to the classification above (see page 17 of the study). The study however was intended to cover micro and small enterprises.

Inter-American Development Bank. (2006). *Informal Sector in Jamaica*. IDB: New York.

A Micro and Small Enterprise survey was designed and carried out in 2003 to collect the data that was later used in the 2006 study cited above. Using the 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; 37% micro enterprises with two (2) to four (4) workers; and 11% small firms employing between five (5) to twenty (20) workers.

The classification for the business establishments used in this study is as follows:

Size/Category	Classification by Number of Employees
Own-account Business	Own account workers with no paid employees
Micro	Businesses with 2-4 employees
Small	Businesses with 5-20 employees

APPENDIX: 3

The Business Development Service Providers for the MSME Sector

A large scale cross-sectional survey across Jamaica's fourteen (14) parishes was undertaken from January 10 to February 28, 2008. For this survey, 3,300 questionnaires were distributed in order to ensure that the desired sample size was achieved. A total of 2,000 questionnaires were completed and returned but only 1,931 instruments were deemed acceptable thus the actual sample size used to prepare this report was 1,931.

The survey involved a multi-stage sampling strategy. In consultation with the Statistical Institute of Jamaica (STATIN), businesses were stratified by area (parish) proportionate to the business activity in each parish and data collectors were given quotas based on a specific stratification configuration. The survey focused on non-agricultural formal and informal microenterprises, small businesses and medium-sized enterprises.

A simple random sampling technique of persons (managers and owners of businesses) within these groups was undertaken. The surveyor emphasizes that in many instances, data collectors were unable to meet their quotas as enterprise managers and owners refused to participate in the survey due to lack of trust regarding the intended use of the survey and apathy which stems from the lack of policy action by the Government.

The classification for the business establishments used in this study is follows:

Size/Category	Classification by Number of Employees
Micro enterprises	Less than 4 employees
Small Enterprises	4 - 10
Medium-sized Enterprises	11 - 50

FINANCIAL SERVICE PROVIDERS			
Wholesale Lending Institutions	Description of Service	Selected Retail Lending Institutions	Description of Service
Development Bank of Jamaica (DBJ)	This an Apex Financing Institution that offers loans to MSMEs that are engaged in agricultural, manufacturing, service and tourism-based activities. DBJ provides appropriate medium and long-term financing solutions (through alliances with Approved Financial Institution (AFI) and other financiers), with fair interest rate and emphasis on SMEs. Also direct lending for large projects in strategic areas, management and privatization of national assets and investments.	National Commercial Bank Small & Medium Enterprises (NCBSMEs)	The NCB Financial Access for Responsible Members (F.A.R.M) Loan was launched in collaboration with the Ministry of Agriculture to assist farmers registered with RADA with the production of onions, Irish potatoes, hot peppers, sorrel, ginger and carrots
The National Export-Import Bank	The EXIM Bank provides a SME Growth initiative to existing SMEs and start-ups that wish to borrow a maximum of the Jamaican equivalent of US\$500,000 for working capital and market research, to purchase equipment and improve and upgrade existing facilities or debt financing to companies that are established and is operating in Jamaica as part of the productive sector.	Jamaica National Small Business Loan Limited (JNSBL)	JNSBL, is one of the main suppliers of loans and business development services to the MSEs, through facilities such as BizGrow, BizStart, BizBoost, the Young Entrepreneurs Programme, and the Hurricane Loan Programme
Pan Caribbean Financial Services Limited (PCFSL)	PCFSL administers authorized Government funds to accredited participating credit institutions (PCIs) such as National Development Foundation of Jamaica (NDFJ) and the credit unions. These loans are made to MSEs engaged in agriculture, trading, services and manufacturing.	Self-Start Fund(SSF)	The Self Start Fund was established primarily to address the needs of graduates of the secondary school system or approved Government training programmes, who were interested in starting small businesses or expanding the operations of their existing small or micro enterprises (SME's). It seeks to promote human development through self-help and self-employment. The Fund provides loans for the purpose of acquiring basic tools, implements of trade, equipment, raw material and services and offers small business loans.
Micro Investment Development Agencies (MIDA)	Since 2010 MIDA has been managing the GOJ/GON Credit Scheme, they provide funds that enable entrepreneurs (self-employed/own account workers), to obtain financing on a timely basis and on satisfactory terms. They also seek to build network of partners (community base credit org., CDFs) to facilitate the delivery of non-financial services to the sector.	Micro Enterprise Financing Limited (MEFL)	The MEFL offer services to the MSEs in the form of loans, working capital support and educational assistance. Recipient of the loans are mostly sole traders operating in groups or as individuals and engaging in a range of business activities such as hairdressing/barbering, tailoring/dressmaking, repairs & servicing, wholesale & retail trade, and restaurants.
National Insurance Fund (NIF)	Funds from the NIF are provided as loans to micro and small businesses engaged mainly in agriculture, mining, and manufacturing, food processing and trading.	COPE Foundation Limited	This foundation receive loan support from the GOJ/GON Micro and Small Loan Fund to provide service to the microfinance sector, by disbursing a range of microfinance loans that covers both business and personal loans.
		Jamaica Co-operative Credit Union League Limited	The credit union offers loans to MSMEs involved in Agriculture, Tourism, Manufacture and Retail Trade. The funds are used by enterprises for start-up and expansion of businesses, creating working capital, purchasing capital equipment and/or inventory.

APPENDIX 3 Cont'd	
GENERAL DEVELOPMENT AND BUSINESS SERVICE PROVIDERS	
Selected Institutions	Description of Service
Jamaica Business Development Corporation (JBDC)	The JBDC, is the leading agency that drives business development and facilitation among MSMEs, by offering business and technical support services to MSMEs (individual and entity levels) in areas such as Training (business plan preparation, money management etc.); Technical Assistance (product development advice, packaging and labeling guidance etc.); Marketing Assistance (participation/representation in local and international trade expos, marketing outlet provided by JBDC etc.); Consultation/Business Advice through JAMBICs (start-ups, expansion of business etc.) and financial support services.
The Scientific Research Council	The Rural Youth Employment Project is an initiative of the SRC and the Planning Institute of Jamaica. SRC project seeks to reduce rural unemployment by increasing access to sustainable livelihood options through: skills training; increased access to post harvesting and agro-processing facilities; exposure to important life skills; exposure to skills that will assist youth to identify and access opportunities and to engage in other businesses along the value chain. This programme operate through community groups, that targets youth who are directly and indirectly employed in agriculture in the parishes of St. Thomas, St. Ann, Trelawny and Manchester.
The EU/GOJ Private Sector Development Programme (PSDP)	This programme adopts a cluster approach in its effort to improve competitiveness of MSMEs by strengthening their support and representative organizations. It targets MSMEs in the productive and services sectors that have growth potential in the export markets, private sector organizations (PSOs) and support institutions that provide critical BDS to private sector firms. PSDP seeks to serve MSMEs by: financing activities that foster improved competitiveness (cost sharing grants); providing direct support programmes to individual firms or groups of businesses (market penetration activities, export centres etc.); provides financial planning advice through a corporate finance broker among others.
The Jamaica Employers' Federation (JEF) Enterprise and Business Development Services Programme	This programme seeks to create an enabling business environment for Jamaican MSMEs. Thereby offering an inter alia, individualized business consulting services aimed at evaluating businesses and tackling specific business problems, such as efficient usage of resources, enhanced ability to manage costs, improved planning skills etc.
The Technology Innovation Centre (TIC) – University of Technology (UTech)	The Technology Innovation Centre (TIC) is the only fully functional business incubator in Jamaica and the English speaking Caribbean (ESSJ 2001), which provides support and assistance to MSEs for business start-ups and development. TIC offers four (4) types of incubation service: the Virtual Programme; the Residential Programme; the Associate Programme; and the Anchor Tenancy Programme.
The Jamaica Exporters Association (JEA) Business Technology Services Programme (Biz Tech)	This World Bank funded project was aimed at allowing the JEA to provide technical support to its members. Its achievements included: providing assistance to small companies in the implementation of improvements to the packaging and labelling of products; and providing IT support to MSMEs in the areas of software training and website development and hosting.
Small Business Association of Jamaica (SBAJ)	The Small Businesses Association of Jamaica (SBAJ) is a private non-profit business organization that helps to foster the growth and development of businesses and professional groups. The SBAJ provides mentoring and technical advice services as well as training and consultancy to its members. It operates an incubator, a business clinic and entrepreneurship training centre. It has also collaborated with the MSME Alliance to implement the first Centralised Information Technology System to give Jamaican SMEs to access vital business management software at a minimal cost.
United States Agency for International Development (USAID)	The USAID provides business development support by providing credit, technical assistance and promoting of entrepreneurship and small venture capital.

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