

MINISTRY PAPER NO. _____

**PERFORMANCE OF THE SMALL BUSINESS SECTOR
FOR 2000/2001 AND FOCUS FOR 2001/2002 FISCAL YEAR**

1.0 Purpose of Ministry Paper

This Ministry Paper is intended to provide information on the performance of the micro and small enterprise (MSE) sector for the 2000/01 Financial Year and the programmes of the Ministry for the 2001/02 Financial Year.

2.0 Highlights of New Initiatives

2.1 “Production Train”

A major MSE promotion programme known as the “**Production Train**” was launched by the Ministry during the Financial Year. The “Production Train” is intended to stimulate and motivate persons to pursue entrepreneurial activities in micro enterprises as a means of generating jobs and income distribution through self-employment. The programme involves a coordinated and integrated approach whereby the MSE credit institutions and business development/technical assistance agencies work in a collaborative mode to facilitate the funding and implementation of projects. The programme involved four parishes to date – St. Thomas, Portland, St. Mary and Westmoreland.

During the promotion programme, special emphasis at the level of the Prime Minister and Minister was placed on repayment of loans. The role of the MSE Credit Bureau in detecting delinquent borrowers and providing that information to all institutions that on lend Government-related funds was emphasized. The MSE credit institutions have reported very high repayment levels. In the case of MIDA, arrears level is said to be much lower than the rest of the institution's loan portfolio. The promotion programme under the “Production Train” will

be continued during the current Financial Year and will be a permanent feature of the Ministry's MSE programme.

2.2 Jamaica Business Development Centre

The next important policy initiative involves the separation of the Productivity Centre from JAMPRO and the establishment of the Jamaica Business Development Centre (JDBC) to focus entirely on the provision of business development services to the MSE sector. The functions of Things Jamaican were also separated from Devon House and are now a part of the JDBC.

2.3 JumpStart Micro Credit Programme

The main policy initiative was the launch of a new credit programme known as "JumpStart" involving \$50 million targeting the "start-ups" segment of the sector during the latter part of 2000. This was intended to address the lack of access by start-ups to credit. Approximately \$3 million was disbursed during the calendar year. The programme is being reviewed to determine its continuation.

3.0 Importance of MSE Sector, Issues and Challenges

Against the background of globalization and the increased competitiveness of the world economic environment, firms have to pursue strategic restructuring exercise in order to compete. This often involves cost cutting approaches, which includes the use of capital intensive technologies. In a world that is now pre-occupied with efficiency in production system and competitiveness, firms have no choice but to reduce cost through technology and continuous innovation. Quite frequently this pressure for increase in efficiency leads to redundancies. To the displaced labour must be added the ever increasing world population. This seems to suggest that the world production system is moving towards the use of less labour due to efficiency while the natural tendency is for an increase in supply of

labour due to population increase. The implication seems to be that there will be intense competition for available jobs and significant marginalization of those persons who will not be able to compete for the available jobs.

During the financial year 2000/2001, of the projects facilitated by JAMPRO, 36 were large projects which when fully implemented will have a capital investment of J\$13.252 billion and will create 5,961 jobs. This is approximately J\$2.2 million in capital investment per job created. Considering the high cost of creating capital-intensive jobs, it is doubtful if capital intensive investments can be relied on totally to address the issue of income distribution, growth with equity, as well as political and social stability.

The records show that it is the small firms that have been responsible for the majority of new jobs created internationally. The micro and small enterprise (MSE) sector is therefore seen as having the potential for creation of employment, distribution of income and growth with equity. The view is that growth influenced by capital-intensive firms may not achieve the income distribution and equity objectives to support political and social stability. The SME sector is therefore widely embraced by the national and international development agencies as the modern approach to reduce poverty and maintain social stability, especially among the poorer developing countries.

The National Industrial Policy (NIP) identifies the MSE sector as being important in the creation of employment, income distribution and growth in GDP. Hence, while the Government is very keen in attracting and facilitating capital-intensive investments, the MSE sector is seen as providing a balancing effect in terms of employment and income distribution.

While the MSE sector undoubtedly has potential and can play an important role in the development process, it also has challenges, which need to be properly understood if proper interventions are to be implemented. The challenges fall under two general areas:

- (i) Low level of demand due to competitive market environment
- (ii) Lack of access to credit, which may be attributed to three fundamental factors:
 - perceived risk of MSEs
 - lack of appropriate collateral
 - unattractiveness of micro loans
- (iii) General un-competitiveness of the MSEs, which may be attributable to a number of factors, some of which are as follows:
 - high unit cost of production and poor quality products
 - low level of technology
 - low level of technical skills
 - weak business and management skills

These challenges can be considered under three headings:

- (a) Policy, regulatory, and economic/business environment
- (b) Financial services
- (c) Business development services

The MSE sector is quite heterogenous and the Ministry's experience is that generic programmes designed to address the needs of the entire MSE spectrum is not appropriate. Hence from a policy intervention point of view, the Ministry classifies the sector into three categories: small businesses, micro businesses and start-ups. The definition of the three categories varies by country and local and international development agency. The view appears to be that each country should arrive at a classification that is practical and reflective of the local environment. Below is a list of the characteristics of each category from the Ministry's perspective.

(a) Small Businesses (or Small Enterprises)

- Employs 4-10 persons (Some regard small businesses as those employing less than 49 employees. However, within the Jamaican context, such businesses may be

more appropriately classified as medium size businesses.)

- Average loan size is approximately \$450,000 (US\$10,000)
- Assets excluding land and buildings total approximately J\$4.5M (US\$100,000)
- Usually operates formally
- Usually able to provide collateral for loans
- **Very sensitive to high interest rate**

(b) Micro Businesses (or Micro Enterprises)

- Owner operated, employing three (3) or less persons
- Assets of less than \$450,000 (US\$10,000) excluding land and buildings
- Average size of loans is approximately \$45,000 (US\$1,000) with a maximum loan size of approximately J\$100,000 (US\$2,500)
- Usually operates informally
- Usually does not have appropriate collateral to access loans through formal financial institutions
- Is an existing business whereby the operator has some level of experience
- Because of small loan size and small debt service in absolute dollars, the micro enterprise is **relatively insensitive to high interest rate.**

(c) Start-ups or Pre-Micro Enterprises

It should be noted that start-ups occur at different scale of operation. The category of interest here relates to new or potential micro businesses and therefore is characterised by some of the same general features as the micro enterprise category above. However, in addition to the above features, this group lacks **business experience**. As in the case of a small or large business starting from “scratch”, there is a fair amount of risk until the operator is able

to climb up the learning curve successfully. This lack of business and technical experience constitutes one of the major problems facing the start-ups.

However, the start-ups provide an opportunity for the hundreds of thousands of persons who are unable to find employment to eventually become self-employed, even though initially in some cases their earnings may be below the poverty line. It also provides an opportunity to transform the thousands of youths, who may be unemployable to become employable.

The interventions of the Ministry with respect to policy, financial services and business development services are to some extent geared to address the needs of the above three categories of MSEs. Below is a summary of the main achievements.

4.0 Highlights of Achievements

Below is a summary of performance of the MSE sector for the calendar year 2000 with respect to **financial services** and **business development services**. In some cases, where more current information is available, it is presented in terms of the financial year 2000/01.

4.1 Financial Services

(a) Wholesaling of Government-Related Funds

Government-related financial resources available to the MSE sector under the main MSE programmes increased to **\$422.7 million** in calendar year 2000 relative to 1999 when **\$206.8 million** was disbursed. This difference of approximately **\$216 million** between the two calendar years, represents a **104.4% increase in the wholesaling of Government-related funds to the MSE sector**.

The year 2000 therefore represents a marked improvement compared with 1999 in terms of the wholesaling of funds to retailers.

This increase in disbursement can be attributed largely to the successful re-activation of lending under the GoJ/European Union MSE Credit Scheme and the coming into full operation of the Ministry's MicroFIN Programme, which commenced operation in October 1999.

Of the \$216 million increase in disbursement during the **calendar year 2000** by the wholesalers, **\$75 million represents new funds** through the GoJ/European Union Project. The remainder represents largely disbursement from reflows, that is, repayment by borrowers.

For the period Jan – March 2001, an additional **\$75 million** was received from the European Union and is now being loaned. Thus between January 2000 – March 2001, **a total of \$150 million was received from the European Union** and is being disbursed by the wholesalers.

(b) Funds on Lent or Retailed to Borrowers through Main MSE Retailers

Funds are retailed or on lent to MSE borrowers through a mixture of both public and private sector institutions. Funds on lent by the retailers include their own resources plus funds on lent to them through Government-related wholesale programmes. During the calendar year 2000, funds on lent by the main retailers total **\$822 million** compared with **\$612.8 million** in 1999, **an increase of approximately 34%**.

(c) Employment

It is estimated that the number of jobs created and/or maintained during the calendar year 2000 is approximately **12,800**. It should be noted that in some cases these jobs are only part-time due to the seasonal nature of certain business operation. It should also be noted that all jobs are not equivalent in terms of earning potential and permanency. Jobs created from the larger loans are inclined to be higher paying and more permanent. On the other hand, the marginal utility of a dollar earned to persons at the micro level is no doubt higher than that for persons in the higher income categories.

4.2 Business Development Services

Business development services (involving a range of training and technical support) were provided mainly through the University of Technology Entrepreneurial Center, JAMPRO's Productivity Center, The Small Business Association of Jamaica (SBAJ) and the National Development Foundation Of Jamaica (NDFJ) Training Institute and private service providers through the MICT Micro Enterprise Business Development Services Project. During the period, close to **4,500** persons received various forms of business-related training through the above institutions and programmes.

5.0 MSE Financing Programmes

The following are details pertaining to the main government-related financing programmes for the MSE Sector. As indicated earlier, based on the experience of the Ministry, generic credit programmes designed to meet the needs of all MSEs in the spectrum ended up benefiting the small business segment while the micro enterprise segment experienced difficulty accessing credit through those programmes.

Hence in 1999, the Ministry implemented a strategic rationalization of the MSE programmes. Under the rationalization strategy, the MSE sector was subdivided into the small business sector and the micro enterprise sector. The Ministry then proceeded to develop specific programmes for each segment. Below are details of the main public and private sector programmes classified into small businesses, micro businesses and pre-micro enterprises (start-ups).

5.1 Small Business Financing Programmes

(a) Ex-Im Bank

The Ex- IM Bank, through its Small Business Facility (SBF) disbursed approximately \$44.10 million during the 2000 calendar year, a decrease of 41.10 per cent over 1999. These disbursements funded 15 enterprises in Kingston and Savannah-la-mar, and created employment for 276 individuals.

The projects funded were in the areas of Trade, Services, Manufacturing and Mining and accounted for 29.50 per cent, 24.30 per cent, 38.60 per cent and 7.60 per cent, respectively.

In an effort to expose a wider cross section of the MSE sector to the loans facility of the Ex-IM Bank, the Board of the Bank introduced a two-tranche reduction in interest rate of SBLF loans. On April 1, 2000 the interest rate was reduced from an average of 23.0 per cent, to 18.0 per cent, and on November 1, 2000 a further reduction to 12.0 per cent was introduced, a move which is vital for the development and sustainability of MSEs.

(b) Development Bank of Jamaica (DBJ)

To improve the efficiency of the development finance institutions, the National Development Bank (NDB) and the Agricultural Credit Bank (ACB) were merged on April 1, 2000, to form the Development Bank of Jamaica (DBJ). Disbursements to the Small Enterprise sector are channelled through Approved Financial Institutions (AFIs) such as the commercial banks, credit unions and the National Development Foundation of Jamaica, while funding to the Micro Enterprise sector is channelled through the People's Cooperative Banks.

The DBJ disbursed approximately \$ 11.20 million to the MSE sector during 2000 at interest rates ranging between 9.5 percent and 13 percent. Of this amount the Small Enterprise Sector received \$7.30 million in addition to US\$34 779 (at an exchange rate of US\$1.00 – J\$45.70) and the Micro Enterprise sector received \$2.30 million. The total loans approved for the Small Enterprise Sector was expected to

generate 103 permanent employment opportunities. Projects operating in the Manufacturing, Services and Tourism sectors benefited from these loans. Manufacturing accounted for the major share - 58.80 per cent.

(c) Trafalgar Development Bank

The Trafalgar Development Bank (TDB) acts as a wholesaler of funds to participating credit institutions (PCIs) under the Government of Jamaica/European Union Small and Micro Enterprise Credit Scheme. Under the Scheme, funds are provided to the TDB for wholesaling to the accredited PCIs such as the National Development Foundation of Jamaica (NDFJ) and the Credit Unions. The PCIs in turn retail the funds to final borrowers. Maximum loan size is the Jamaican equivalent of US\$50,000 or approximately \$2 million and can be for any viable project. Funds are wholesaled by TDB to the PCIs at 11%. The policy is for the PCIs to set their own interest rates based on their level of efficiency. The objective is that the more efficient PCIs will be able to charge lower rate and attract larger volume of business. However, in general, retail rates are expected to be in the low to mid twenty percentage points depending on average loan size, arrears level, efficiency, etc. It is envisaged that through competition among the PCIs, there will be a trending down of interest rates.

During the calendar year 2000, TDB wholesaled credit funds under the Small Business Loan Programme (SBLP) component through eight participating credit institutions (PCIs). Approximately \$89 million disbursed through the SBLP was used to finance 349 projects with an average loan size of approximately \$250,000.

(d) Self-Start Fund

Unlike the above wholesaling programmes, the Self-Start Fund (SSF) is a retail institution and provides loans at both the small business level and at the micro business level. During the calendar year 2000, the SSF disbursed \$15.87 million, which financed 115 projects. Of the sectors to benefit from loans, Services with \$10.62 million took the greatest share, followed by Manufacturing with \$3.88 million and Agriculture accounting for the remaining \$1.38 million.

The average loan size was \$140,000 and the employment contribution was 150 new jobs and 200 jobs indirectly. Females accessed 70 per cent of the loans.

The most prominent industries in terms of value of loan disbursed were Vending (\$4.85 million), Other Services (\$4.99 million), Food Processing (\$1.78 million), Furniture (\$0.99 million), and Poultry (\$0.74 million). Interest rate for manufacturing loans was 15 per cent and 20 per cent for services.

Loan disbursements in terms of the **financial year 2000/2001** total approximately \$20.6 million. This was used to finance 142 projects as follows:

| Sector | No. of loans | Value of Loans(\$M) |
|-----------------|---------------------|----------------------------|
| • Services | 99 | 13.4 |
| • Manufacturing | 24 | 5.4 |
| • Agriculture | 19 | 1.76 |
| Total | 142 | 20.6 |

5.2 Micro and Pre-Micro Business Credit Programmes

(a) Micro Investment Development Agency (MIDA)

During the calendar year 2000, MIDA disbursed **\$119.70** million to the MSE sector, an increase of \$24.60 million (**26 per cent**) over 1999. This increase can be partly attributed to an additional inflow of \$20.00 million from the GOJ/EU Credit Scheme, and promotional activities associated with the launching of this revolving credit programme.

Of the total value of loans disbursed, \$73.80 million went towards financing micro enterprises engaged in services and vending, while \$31.3 million was taken up by small farm-holdings engaged in various

agricultural production, including cash crops, small livestock rearing and yam production for the export market. The remaining \$14.60 million went to light manufacturing micro enterprises engaged in garment, furniture, agro processing, craft and block making, among others.

A total of 1,590 MSEs received financial assistance with an average loan size of \$75,307. A total of 981 businesses or 61.70 per cent were funded under services and vending, while 415 (26.0 per cent) farm-holdings received loans. Light manufacturing enterprises accounted for 194 or 12.20 per cent of the total loans disbursed. These loans generated approximately 2 655 full and part-time jobs at an average loan of \$45 099 per job.

It should be noted that those persons in the over 35 age group accounted for 58.0 per cent of the loans disbursed, while those under 26 years of age received 13.0 per cent. In terms of gender, females received 49.0 per cent and males received 51 per cent of the number of loans granted for the year.

MIDA is responsible for the Micro Enterprise Loan Programme (MELP) component under the GoJ/EU Project and channels funds through ten community development funds (CDFs) to the micro enterprise sector. MIDA, with an average loan size of \$73 000, disbursed \$19 million. This financed 261 sub-loans, which was expected to generate 392 new jobs. (Note that this amount is already included in the \$119.7 million mentioned earlier.)

Female borrowers accounted for 52.0 per cent of the number of sub-loans disbursed. It is however interesting to note that male-borrowers accounted for twice the value of loans received by their female counterpart.

The MELP had 30.0 per cent of its portfolio going to agricultural related activities. This was due mainly to the fact that 90.0 per cent of the financial intermediaries under the programme (MELP) were in rural areas. Funds were retailed mainly through the CDFs at a fixed rate of 23 per cent. MIDA wholesales the funds to the CDFs between 5-15 per cent depending on the source of funds.

(b) GoJ/Government of the Netherlands Micro Finance Programme (MicroFIN)

MicroFIN is the new Government programme which takes over the funds disbursed under the GoJ/GoN Micro Enterprise Project. The programme is managed by Development Options under contract with the Ministry of Industry, Commerce and Technology. In its first full year of operation, MicroFIN disbursed \$152.20 million through its Micro Finance Organizations (MFOs), which financed approximately 3 376 loans with an average loan size of \$45 086. MicroFin's island-wide network of retailers consists of 13 MFOs, three traditional and 10 emerging micro finance organizations (e-MFOs). These e-MFOs, most of which were accredited to MicroFIN after March 2000, accounted for 80 per cent of total disbursements.

Two new facilities were funded under MicroFin, the Community Enterprise Direct Lending Window (CEDLW) and JumpStart. Each facility was allocated \$50 million, geared to meet the needs of different segments of the MSE sector.

Under the CEDLW, loans are made to new and existing community-based enterprises with the potential to generate significant full-time employment for residents of urban areas. Enterprises must have a minimum of 30 per cent equity in the business. It must be noted that this is the only facility through which DOL engages in direct lending to businesses. A Leather Manufacturing Company was the recipient of the sole loan of \$700,000 made through this facility.

JumpStart was established to provide credit to start-ups. This segment of MSEs faces great difficulty in acquiring loans from established lending institutions. This facility targets first time micro entrepreneurs and has a maximum loan limit of \$50 000. The terms for accessing a loan under JumpStart are similar to MicroFin. The micro enterprise must be viable and the borrower of good character. An additional requirement is that the entrepreneur is required to attend a 5-day training course on "Managing your own Business". On September 25, 2000, seven MFOs were commissioned to lend under

JumpStart. Together they disbursed a total of 87 loans valued at \$3.3 million.

A total of \$156.2 million was disbursed under the three MicroFin credit facilities combined. Total disbursement under MicroFIN since its inception in October 1999 is \$159.7 million. This is the largest amount of funds that have been made available to the micro enterprise sector in such a short time frame. This confirms the international best practice view that micro enterprises are relatively insensitive to high interest rates. Their main problem is the lack of access to credit and in general they have no difficulty in paying in order to access the credit. The arrears rate to date under the programme is less than 10% and is much lower when compared to other programmes, which lend to the same target group at a lower interest rate.

5.3 Summary of Disbursements by Wholesalers

Table 1 shows a summary of the disbursements by the Government-related MSE wholesale programmes.

TABLE 1
DISBURSEMENTS BY WHOLESALE AGENCIES, ECT.(1997-2000)
(\$MILLION)

| AGENCIES/INSTUTIONS | 1997 | 1998 | 1999 | 2000 | %Change 1999/1998 | %Change 2000/1999 |
|-----------------------------|-------|-------|-------|-------|----------------------|----------------------|
| GOJ/MicroFin | 0 | 0 | 3.5 | 152.2 | 0 | 4248.6 |
| GOJ/Jumpstart* | 0 | 0 | 0 | 3.3 | 0 | |
| GOJ/CEDLW* | 0 | 0 | 0 | 0.7 | 0 | |
| GOJ/GON MEF | 71.3 | 106.3 | 0 | 0 | 0 | |
| GOJ/EMBJ/TDB | 7.7 | n.a. | n.a. | 89 | 0 | 0 |
| MIDA | 65.7 | 106.7 | 95.06 | 119.7 | -10.9 | 25.2 |
| NDB | 44.6 | 45.9 | 24.39 | 0 | -46.9 | |
| ACB | 5.2 | 0.76 | 0.87 | 0 | 14.5 | |
| DBJ** | 0 | 0 | 0 | 11.2 | 0 | |
| EX-IM SBDF | 58.2 | 98.3 | 74.93 | 44.1 | -23.8 | -41.1 |
| Other (USAID/Union Bank)*** | 24.15 | 10.2 | 8.09 | 2.5 | -20.7 | 69.1 |
| TOTAL | 276.9 | 368.2 | 206.8 | 422.7 | -43.8 | 104.4 |

* Jumpstart and CEDLW came on line in the 2nd quarter of 2000

** NDB and ACB merged to form DBJ in April 2000

*** Union Bank is not a typical wholesale programme

Source: Respective Programmes

Total disbursement through the various Government-related wholesale programmes in the calendar year 2000 was **\$422.7 million** compared to **\$206.8 million** in 1999. This represents a **104.4%** increase. Of the amount disbursed for the year, **\$75 million represent new funds** from the GoJ/European Union MSE Credit Scheme. The rest of the funds disbursed constitutes repayment from the credit institutions, which have been relent.

For the period January – March 2001, an additional **\$75 million** was received from the European Union and is now being loaned. Thus between January 2000 – March 2001, **a total of \$150 million was received from the European Union.**

5.4 Projected Disbursement by Wholesalers for 2001/02

The projected disbursement by the wholesalers for the Financial Year 2001/02 is presented below.

Table 2: Projected Disbursement in 2001/02 by Institution
Main Programmes **Projected Disbursement**
(\$M) (2001/02)

| Main Programmes | Projected Disbursement (\$M) (2001/02) |
|--|--|
| (a) Development Options (MFOs) | 187.0 |
| (b) MIDA (CDFs) | 140.0 |
| [c] TDB (PCIs) | 135.0 |
| (d) Jamaica National Micro Credit | 198.0 |
| (e) Development Bank of Ja.(ALAs) | 38.3 |
| (f) Ex-Im Bank (ALAs) | 147.1 |
| (g) Other (Internal resources of selected private retailers) | 174.0 |
| Total | 1,019.4 |

The amount of funds that will be available for disbursement through the main MSE credit institutions is estimated to be **\$1.019 billion of which approximately 70% is from Government-related sources**. Approximately **\$100 million or 10% of the total represents new funds into the sector**. A total of **\$60 million** of the new funds will be provided to the MSE sector by the European Union for wholesaling through TDB and MIDA during the new Financial Year 2001/02 and **\$40 million** will come from budgetary resources through the Self-Start Fund to support small IT firms. The rest of the **\$900 million** will come from projected re-flows.

5.5 Summary of Disbursements by Retailers

Table 3 shows the estimated disbursements by the main MSE retailers. This includes funds obtained from the wholesalers plus new funds and re-flows from their own resources.

| AGENCIES/INSTITUTIONS | 1997 | 1998 | 1999 | 2000 | % Change 1999/1998 | %Change 2000/1999 |
|-----------------------|--------------|--------------|--------------|--------------|-----------------------|----------------------|
| CDFs | 57.5 | 105.7 | 81.5 | 111.7 | -22.9 | 37.1 |
| MFOs | - | - | 3.5 | 156.2 | | 4362.8 |
| NDFJ | 69.0 | 71.5 | 60.0 | 89.9 | -16.1 | 49.8 |
| SSF | 58.9 | 36.0 | 18.6 | 15.9 | -48.3 | -14.5 |
| COPE | 13.0 | 11.3 | 12.9 | 16.7 | 14.2 | 29.5 |
| CoK Credit Union | 95.3 | 133.7 | 93.7 | 71.5 | -29.9 | -23.7 |
| Other Credit Unions | - | 144.6 | 172.9 | 198.6 | 19.6 | 14.9 |
| PC BANKS | 5.2 | 0.8 | 0.9 | 2.3 | 12.5 | 155.6 |
| WORKERS/UNION BANK | 33.6 | 109.9 | 168.8 | 130.0 | 53.6 | -30.0 |
| JNMCC* | 0 | 0 | 0 | 29.2 | - | 100.0 |
| TOTAL | 332.5 | 613.5 | 612.8 | 822.0 | -0.1 | 34.1 |

*Jamaica National Micro Credit Company came on line in October 2000 after purchasing the portfolio of the Union Bank Micro-Finance Unit.

Source: Respective Programmes

Based on figures provided by the main retailers, the total disbursement was **\$822 million** in calendar year 2000 compared to **\$612.8 million** in 1999 suggesting a **34.1% increase in funds disbursed to MSEs during the year.**

While the above figures suggest that the Government is doing its best within the constraint of resources, the access to formal credit by the MSE sector is probably less than 10%. Expansion of access therefore must be based on credit from the private financial institutions. The down-scaling of the banks, as is the case in other countries, could serve to link the liquidity in the financial sector to the demand within the MSE sector. This is an area, which the Ministry will be pursuing in the next financial year.

5.6 Estimated Employment Generated

Figures on actual employment generated are difficult to obtain and the Ministry will be working with the credit institutions to put a mechanism in place to improve the quality of the data. In the absence of actual figures however, number of loans granted and average jobs per loan based on the experience of the institutions are used to arrive at an estimate of employment generated.

The number of loans and estimated number of jobs created and/or maintained are as follows:

| <u>Credit Institution/Programme</u> | <u>No. Loans</u> | <u>Estimated Jobs</u> |
|-------------------------------------|------------------|-----------------------|
| (a) Dev. Options(1.8 jobs/loan) | 3,376 | 6,077 |
| (b) TDB (1.8 jobs/loan) | 349 | 628 |
| (c) MIDA (1.69 jobs/loan) | 1,590 | 2,655 |
| (d) Ja. National (0.4 job/loan)* | 6,868 | 2,748 |
| (e) Ex-Im Bank | 15 | 276 |
| (f) DBJ | | 103 |
| (g) Self-Start Fund | 115 | 350 |
| Total | 12,313 | 12,837 |

*(Here one person would obtain an average of four loans (12 week loans) per year and about 80% of the loans are from repeat borrowers.)

The job figures above are based on a combination of estimates made by the institutions and number of loans times estimated jobs per loan as indicated by the institutions. According to the above, the estimated number of jobs created and/or maintained during the calendar year 2000 is **12,837 or approximately 12,800**. It should be noted that in some cases the jobs are part-time due to the seasonal

nature of certain business operation. It should also be noted that all jobs are not equivalent in terms of earnings to the “employee” and permanency may vary. Jobs created from the larger loans are inclined to be higher paying and more permanent. However, a dollar earned by a low-income person may be more valuable than a dollar earned by a high-income individual based on differences in marginal utility.

6.0 Business Development Services

It is ideal for the provision of financial services to be supported by business development services in order for MSEs to become competitive. Under the Small Business segment, the main government technical support programmes were administered through JAMPRO Productivity Centre and The Trade Development Project. The Productivity Centre was the GoJ’s main institution for providing technical support to medium and small businesses. For the micro enterprise segment, business development services was provided through a new initiative, the Micro Enterprise Business Development Services Project. Under this project, emphasis was placed on the provision of demand-led training by private service providers.

Other very significant programmes involve the National Development Foundation of Jamaica (NDFJ), University of Technology Entrepreneurial Centre and GoJ/World Bank programme through the Jamaica Exporters Association.

The following is a summary of the main technical programmes.

6.1 Small Business Support Programmes

(a) Productivity Centre (JAMPRO)

The Productivity Centre (PC) of JAMPRO was the GOJ’s main institution for providing technical support to medium and small

businesses. During 2000, the Productivity Centre continued to offer its services and expertise to the development of the sector. These services ranged from workshops on business development, to marketing and promotional activities.

There were many opportunities for entrepreneurs to participate in business development workshops. The PC held 11 such workshops, which were attended by 357 micro and small entrepreneurs. The PC also hosted four specialized workshops and two workshops focusing on fashion trends and Sensitization on Computer that were attended by 105 persons.

During the year PC undertook various promotional activities geared towards enhancing business opportunities for their clients. Clients were assisted in the preparation of their products and promotional materials so that they could participate in various international, as well as local fairs and trade shows. Products from 60 producers were organized and presented at the Atlanta Gift Show in July 2000, and eight fashion producers exhibited their products at the Las Vegas Trade Show in August 2000.

Assistance was also provided in the preparation of promotional materials for 65 individual companies and 135 companies who participated in trade missions throughout the year.

Technical Services were provided to clients for upgrading operations. These services include:

- Resource, Technology, Promotional Services
- Technology Solutions Services
- Quality Management Services
- In-plant Technical Assistance
- Product Design and Development
- Product Engineering
- Human Resources development
- Network Development
- Business Development

(b) Trade Development Project

The Trade Development Project, financed by the European Union, also provided technical support to small firms to assist them to improve their competitiveness and to gain access to export markets. (See Ministry Paper on JAMPRO for details.)

(c) Jamaica Exporters Association

The JEA continued to provide technical support to its members under its “Biz Tech Project” which is funded by the World Bank. The objectives are to:

- Develop and test products and services for over 100 companies.
- Undertake in-firm technical support to 34 small and medium-sized enterprises
- Provide IT support in computerization and computerized accounts
- Provide market outlook and commercial investment reports
- Conduct HACCP quality and productivity training
- Provide in-house and overseas training to JEA staff
- Undertake business planning and IT interventions, workshops and training materials

The following are the main achievements:

- over 100 companies received competitiveness tools
- 34 SMEs received technical support in business planning, market development, etc.
- 14 companies received HACCP training
- over 200 companies received market information support
- JEA is now able to deliver a sustainable core of technical support to firms without donor support
- 68% of SMEs assisted reported improvement in sales
- 41% of SMEs assisted reported increased productivity

6.2 Micro Business Support Programme

This is a project of the Ministry of Industry, Commerce and Technology and is funded from a \$30 million allocation from the re-flows under GoJ/GoN Micro Enterprise Project, which ended in 1999. The project commenced operation in July 2000 and will be for three (3) years. The main focus of the project is to co-finance demand-led training for micro enterprises to enhance their competitiveness and profitability. Under the project, independent service providers/trainers (ISPs) are accredited island-wide. Accredited ISPs are then encouraged to competitively identify training in demand by micro enterprises and design programmes to address the identified needs/demand. Once the course meets certain basic pre-determined criteria, the trainer would be given permission to deliver training to identified clients. The project would then co-finance a portion of the training cost with the micro entrepreneur paying the balance.

A total of 58 ISPs have been accredited and have been added to a national ISP directory under the project. There are 36 ISPs operating in the Kingston Metropolitan Area, four in rural St. Andrew, eight in St. Catherine, five in St. James, and one each in Portland, Manchester, Westmoreland, St. Ann, Trelawny. **During the period, these ISPs trained a total of 583 micro entrepreneurs in courses ranging from Managing the Business and Record Keeping to Marketing and Business Plan Development. Of this total, 311 were women and 272 men.**

The BDS Project also provided 520 persons with a range of business-related information.

One important component of the project is the development of business profiles that is intended to provide possible business ideas to micro entrepreneurs. Under the project, the University of Technology was contracted to use students to develop 72 business profiles. Over 20 profiles are now in various stages of development.

7.0 MSE Promotion Programme – “Production Train”

In an effort to encourage the spirit of entrepreneurship among unemployed and under-employed persons, the Ministry of Industry, Commerce and Technology launched a promotion campaign known as the “**Production Train.**” At each “stop” of the train which was between two to three days, interested persons could access the services of the Ministry and its Agencies, especially those of interest to small business persons such as Self-Start Fund, MIDA, Productivity Center of JAMPRO, the Scientific Research Council, etc. Emphasis was placed on demonstrating some new and appropriate technologies applicable to small businesses, introducing them to certain financial windows, steps they could take to protect their Intellectual Property, the procedures to register businesses, etc.

Four parishes (St. Thomas, Portland, St. Mary and Westmoreland) have benefited from the initiative during 2000/01 been promoted up to the end of the Financial Year. Persons who attended were then encouraged to meet with micro financing and technical support agencies that were present to assist them in the starting of businesses. The attendance in the four parishes totaled approximately 8,000 persons. The Ministry’s agencies also had follow-up seminars with interested persons to assess their project ideas signaled during the “Train stops”. Attendance was at the seminars was 5,860.

However, while the attendance was very good, the vast majority of the project ideas proposed by persons were not deemed to be financially feasible. Also, in order to ensure the credibility of the programme, the institutions were advised to be very cautious and ensure that only projects, which stood a good chance of succeeding were funded. The number of inquiries, number of projects financed and disbursements for the four parishes were as presented in Table 4 below.

Table 4: Number of Persons Attending Seminars by Parish

| Parish | Persons Attending Seminars |
|---------------|-----------------------------------|
| St. Thomas | 670 |
| Portland | 860 |
| St. Mary | 2,830 |
| Westmorland | 1,500 |
| Total | 5,860 |

Like other borrowers, persons who received loans through the programme were advised that their repayment records would be provided to the Government-supported MSE Credit Bureau and that delinquent borrowers would not receive funding from any other Government-supported MSE credit programmes.

The general reaction of the credit institutions such as MIDA so far is that the **repayment on this portfolio is very good and is actually better than MIDA's normal portfolio.**

The Ministry is convinced that the success of the programme and its credibility as a mechanism to stimulate unemployed and underemployed persons to become creative and pursue self-employment is dependent on the successful repayment of loans made under the programme. Hence, repayment is emphasized.

8.0 Institutional Support – Specialist MSE Credit Bureau

The specialist MSE Credit Bureau, which was being developed became operational in 2000. Traditionally, MSEs are of the view that funds borrowed through Government-supported programmes represent “soft loans”. As a result arrears under some programmes are unsustainable. This serves to limit the allocation of resources to such programmes thereby constraining access to credit, especially to the lowest segment of the MSE sector. As a part of the strategy to increase the access of the MSEs to credit, the Ministry is embarking on a new initiative to re-engineer the borrowing culture among MSEs so that more emphasis will be placed on credit worthiness and project viability instead of on traditional collateral.

Under this new system, all persons who access Government-related loans will have their loan repayment records provided to the MSE Credit Bureau. Credit officers from the participating credit institutions will be able to access the Credit Bureau on line and assess the credit worthiness of a borrower. Persons who have borrowed under Government-related programmes and defaulted will not be eligible for accessing another loan through any of the participating credit institutions and will be “black listed”. This is intended to force persons to be honest and trustworthy so that lending can be re-oriented towards character-based lending.

Once the Bureau is fully developed, it will be handed over to the credit institutions for operation and maintenance.

During the period, the Registrar of Companies re-engineered its administrative processes to facilitate relatively easy registration of MSEs. This will be further improved in 2001 with the coming of the new Companies Act.

Also, significant progress was made towards the establishment of a commercial court, which is expected to be operational by early 2001.

9.0 Main area of Focus for 2001/02

- (a) The promotion of small business initiatives under the “Production Train” will be continued.
- (b) The Jamaica Business Development Centre is being established to discharge the functions, which were under the Productivity Centre of JAMPRO. Its mandate will be to focus on the provision of technical support to all segments within the micro and small enterprise sector. (See details in Ministry Paper on Jamaica Business Development Centre.)
- (c) It is estimated that for the Financial Year 2001/02, disbursement from the various MSE credit institutions will be approximately **\$1.019 billion** (public and private) of which approximately **10% will be new funds**. The new funds will comprise **\$60 million** which will be provided by the European Union for wholesaling through TDB and MIDA and **\$40 million** through the Self-Start Fund to support small IT firms. The rest of the funds will be from re-flows.
- (d) The Office of the Registrar of Companies will be embarking on a major campaign to facilitate MSEs to become formal.
- (e) The Specialist MSE Credit Bureau will be heavily promoted as a means of encouraging MSEs to repay their loans so that the pool of beneficiaries can increase.
- (f) The Ministry is undertaking a policy study with a view to improving the policy and regulatory environment to facilitate the development of the MSE sector.

- (g) Efforts will be intensified to encourage the banks to downscale as a strategy to link some of the existing liquidity in the banks to specific demand in the MSE sector.

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