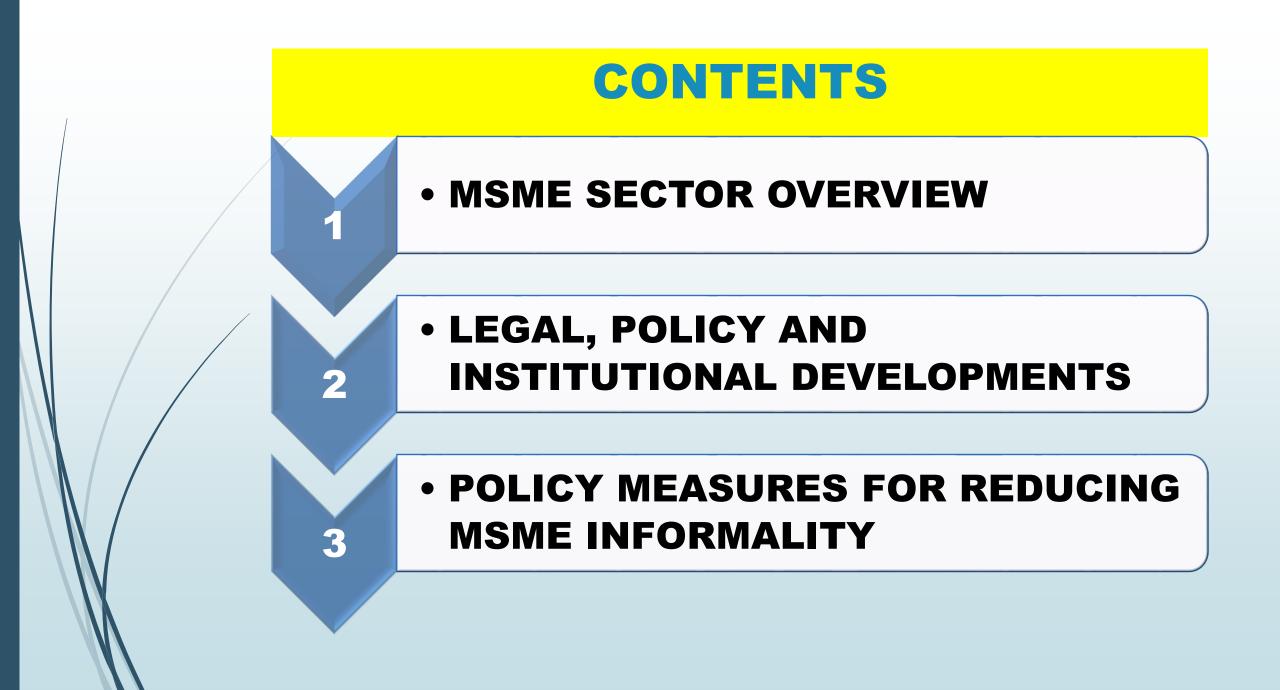
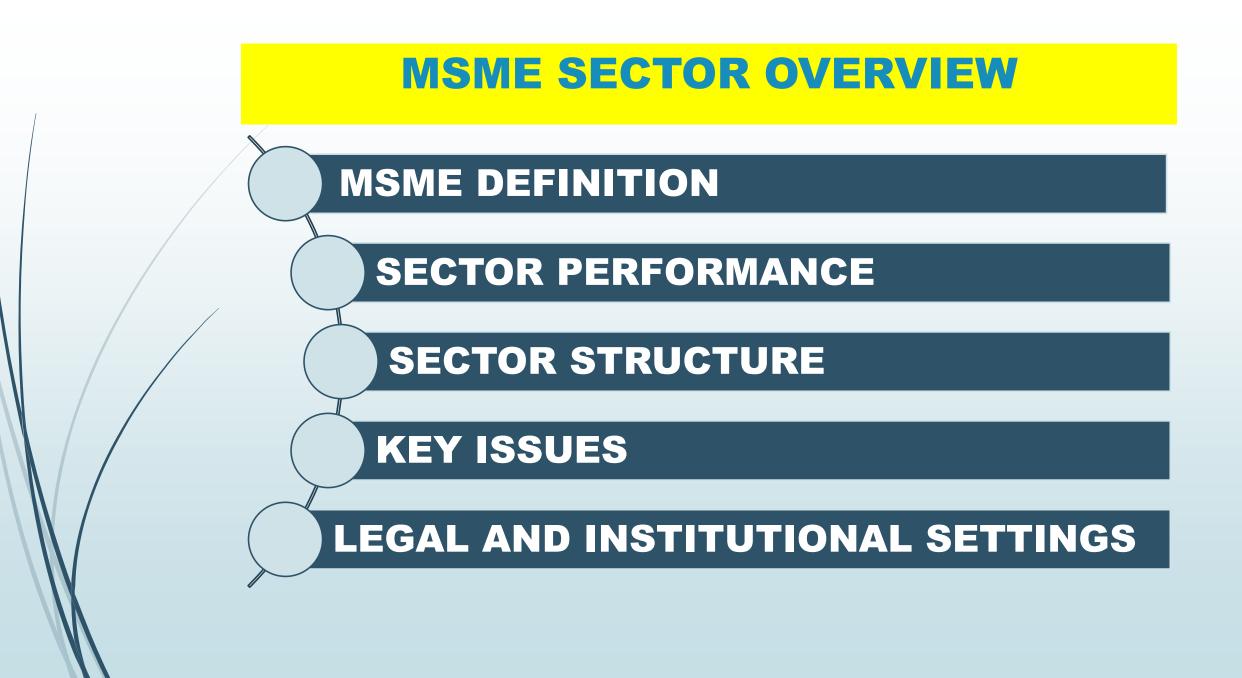
# JAMAICA MSME OVERVIEW AND STRATEGY TO PROMOTE ENTREPRENEURSHIP INFORMALITY

**WORKSHOP ON EXPERIENCES IN FORMALIZATION OF MSMEs** 

Santo Domingo, February 14-15, 2019





### **DEFINITION OF MSMEs**

Category	2013 Policy		2018 Policy
	Number of Employees	Annual Turnover	Annual Turnover (Primary Determinant)
Micro	Up to 5	Up to \$10m	Up to \$15m
Small	6-20	\$10m – 50m	\$15m - \$75m
Medium	21-50	\$50m - \$150m	\$75m - \$425m

#### **IMPORTANCE OF THE SECTOR**

**MSMEs Account for over 90% of Private Sector in Most Countries** 

**Total MSMEs Worldwide is estimated to be 500 million – 85% in Emerging Mkts** 

**There are 125 million Formal MSMEs – 89 million in Emerging Markets** 

Formal MSMEs Employ More than 1/3 of World's Labour Force

Informal MSMEs Account for 74% of all MSMEs – 77% in Developing Countries

SMEs Account for 77% of Employment and 64% of GDP in Developed Economies

SMEs Account for 45% of Employment and 63% of GDP in Developing Economies

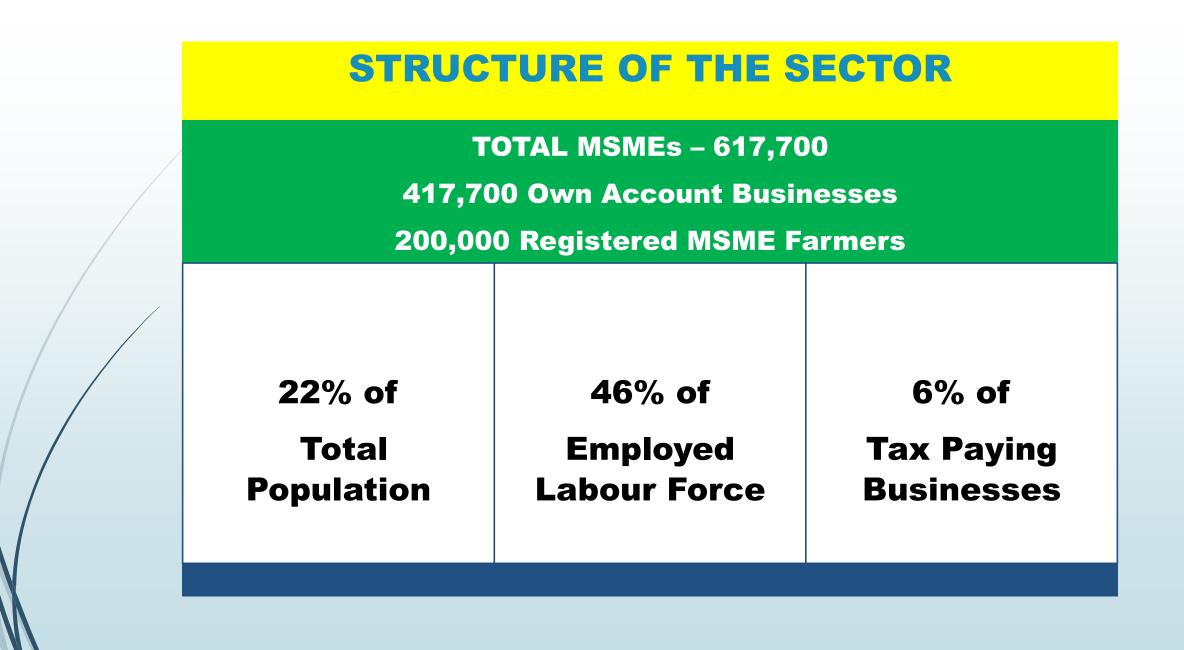
#### MSMEs as % of Private Sector in Selected Economies

NO	COUNTRY	MSMEs as a % of PRIVATE SECTOR
1	Jamaica	97.0%
2	The Bahamas	96.0%
3	Barbados	96.3%
4	Belize	96.9%
5	Cost Rica	93.7%
6	Panama	98.8%
7	El Salvador	99.6%
8	Guatemala	96.0%
9	Honduras	99.7%
10	Nicaragua	99.3%
11	Dominican Republic	88.4%
12	United States	99.7%
13	Singapore	99.0%
14	ASEAN	95.0%
15	EU	95.0%

### **STRUCTURE OF THE SECTOR**

# 32,312 Total Classified Tax Paying MSMEs – 97% of Private Sector in 2017

Micro 21,371 Enterprises or 66%	Small 8,514 Businesses or 26%	Medium 2,427 Firms or 8%
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### **KEY POLICY ISSUES**

Less Than Satisfactory Business Enabling Environment

• Access to more Affordable and Appropriate Financing Options

• Improved Access to Business Development Support Services

• High and Rising MSME Informality

• Need for Increased Productivity, Innovation, Competitiveness and Internationalization

### **MSME LEGAL ENVIRONMENT**

The Legislative Framework for Business has Improved significantly in Jamaica with the passing of several key pieces of legislation and regulations to enhance MSME competitiveness, innovation and internationalization

# **ENHANCED SIPPA**

• SIPPA is a key component of Jamaica's secured transactions regime, implemented in 2014.

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- The Act aims to increase the leveraging of non-traditional assets for securing financing for the productive sector.
- An Operational Review was conducted in 2016, which revealed that the regime was not focused on MSME productive lending;
- The IFC is now providing business advisory services to enhance the regime in Jamaica;

### **PROCUREMENT REGULATIONS**

- Regulations will incentivize the participation of local MSMEs in Public Procurement
- Budget specific set aside 20% of annual procurement for MSMEs
- Industry set aside targeting specific industries

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Margin of Preference of 20% – local firms utilizing significant local value added

## **MICROCREDIT LEGISLATION**

• MFIs are playing important need to MSMEs.

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- Current estimates indicate that there are over 300 MFIs operating in Jamaica
- Lending modality is a misfit with existing legal & institutional financial frameworks
- Complaints of excessive interest rates, aggressive collection techniques and predatory lending prcatices

### **BANKRUPTCY AND INSOLVENCY ACT**

•Paves the way for entities facing bankruptcy to safeguard their operations against closure

- Seeks to accommodate corporate and individual insolvency, making the insolvency process less time-consuming and costly
- Addresses the stigma of personal bankruptcy or corporate insolvency

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 Provides a strong policy signal for enterprise and entrepreneurship as it facilitates the rehabilitation or reorganization of an insolvent debtor

### **MSME POLICY ENVIRONMENT**

Updated MSME & Entrepreneurship Policy 2018 MSME Policy Implementation Committee Implementation of the SBDC Model

#### **THE NEED FOR AN UPDATED POLICY**

• First Policy Approved in 2013

• 2013 MSME Policy had built in a 3-Year Review

• Stakeholders Requested Policy to be Updated to Incorporate New Developments, Continued Relevance and Utility

• MICAF's Constant Tracking of National, Regional and International Developments Underscored the Need for a Review

• Growth Mandate of Government and Increasing Importance of MSMEs Required Focused Attention on MSME Issues

#### **DRIVING FORCES FOR A MSME POLICY**

MSMEs Account for 97% of Registered Taxpaying Enterprises and Contribute 16% to Taxation / in 2017

MSMEs Account for 22% of Total Population and 46% of Employed Labour Force

"Develop the Capabilities of MSMEs" (National Strategy of the MTF 2018-2021

A Key Pillar for the Economic Growth Council

" Promoting the Development and Formalization of MSMEs (sub-goal 3 of Goal 8 of the SDGs

Jamaica has the Strongest Positive Perception of Entrepreneurship (2017 GEM Report)

There are Numerous Actors, Several Challenges Facing the Sector – Need for Comprehensive, Coordinated and Coherent Framework for Addressing them

#### WHAT'S NEW & DIFFERENT IN 2018 POLICY

2018 Policy now has a 5-Year Implementation Plan - this means improved M&E

Revision of the Definition of MSMEs at the request of DBJ and BOJ.

**Comprehensive Updated Information throughout the Policy Document** 

**Contains Relevant Profile of Entrepreneurial Characteristics and Trends** 

**Inclusion of Social Enterprises** 

**Recognition of SDGs and the National Financial Inclusion Strategy** 

Updated Policy Recommendations in all Chapters

Smarter KPIs and Relevant Accountability Framework

### **INSTITUTIONAL ENVIRONMENT**

### Dedicated MSME Office

Coordinates the implementation of the MSME Policy;

Coordinates the strategies, activities and initiatives across the MSME landscape

Jamaica Business Development Corporation Focuses on taking enterprises "from concept to market"

Provides capacity building and business development support to MSMEs

**EXIM Bank** 

Provides financing and financial services to productive MSMEs;

Contributes to creating and sustaining small businesses and jobs

#### **FEATURES OF MSME INFORMALITY IN JAMAICA**

- It is a major issue in Jamaica. It accounts for approximately **43% of GDP in 2006**.
- It is estimated to account for over JAD\$80 billion of lost revenue to government in 2017.
- It is more dominant among micro businesses, which accounts for 90% of MSMEs in Jamaica
- It is a Key Pillar of Government Strategy for growing the economy, with growth in GDP.

#### **PROPOSED POLICY MEASURES**



#### **55 KEY POLICY MEASURES**



#### **5 KEY THEMATIC AREAS**



#### **11 KEY GOAL AREAS**

#### PROPOSED POLICY MEASURES FOR REDUCING MSME INFORMALITY

KEY AREAS	KEY GOALS	
TAXATION	Reduce Tax Burden for Compliers	
	Encourage Compliers/Increase Tax	
	Base	
<b>BUSINESS REGULATION</b>	Facilitate Formal Entry	
	Encourage Licensing	
	Reduce Exit Costs	
LABOUR REGULATIONS	Hiring Flexibility	
	Wage Flexibility	
	Firing Flexibility	
	Encourage Worker Registration	
	Enforcement of Labour Laws	
SOCIAL SECURITY	Encourage Worker Enrollment	
STRENGTHEN ENFORCEMENT		



# **THANK YOU**