



JAMAICA MSME OVERVIEW AND STRATEGY TO PROMOTE ENTREPRENEURSHIP INFORMALITY

WORKSHOP ON EXPERIENCES IN FORMALIZATION OF MSMEs

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- **POLICY MEASURES FOR REDUCING MSME INFORMALITY**

MSME SECTOR OVERVIEW



MSME DEFINITION

SECTOR PERFORMANCE

SECTOR STRUCTURE

KEY ISSUES

LEGAL AND INSTITUTIONAL SETTINGS

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%

STRUCTURE OF THE SECTOR

TOTAL MSMEs – 617,700

417,700 Own Account Businesses

200,000 Registered MSME Farmers

**22% of
Total
Population**

**46% of
Employed
Labour Force**

**6% of
Tax Paying
Businesses**

KEY POLICY ISSUES

1

• **Less Than Satisfactory Business Enabling Environment**

2

• **Access to more Affordable and Appropriate Financing Options**

3

• **Improved Access to Business Development Support Services**

4

• **High and Rising MSME Informality**

5

• **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

1

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

2

- The Act aims to increase the leveraging of non-traditional assets for securing financing for the productive sector.

3

- An Operational Review was conducted in 2016, which revealed that the regime was not focused on MSME productive lending;

4

- The IFC is now providing business advisory services to enhance the regime in Jamaica;

PROCUREMENT REGULATIONS

1

- Regulations will incentivize the participation of local MSMEs in Public Procurement

2

- **Budget specific set aside** – 20% of annual procurement for MSMEs

3

- **Industry set aside** – targeting specific industries

4

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

MICROCREDIT LEGISLATION

1

- MFIs are playing important need to MSMEs.

2

- Current estimates indicate that there are **over 300 MFIs** operating in Jamaica

3

- Lending modality is a misfit with existing legal & institutional financial frameworks

4

- Complaints of excessive interest rates, aggressive collection techniques and predatory lending practices

BANKRUPTCY AND INSOLVENCY ACT

1

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

2

- Seeks to accommodate corporate and individual insolvency, making the insolvency process less time-consuming and costly

3

- Addresses the stigma of personal bankruptcy or corporate insolvency

4

- 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

1

- **First Policy Approved in 2013**

2

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

3

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

4

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

5

- **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
BUSINESS REGULATION	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	

QUESTIONS AND ANSWERS

THANK YOU