

An Assessment of the
Implementation and Impact of the
GOVERNMENT OF JAMAICA'S

Growth Inducement Strategy

PREPARED FOR THE PLANNING INSTITUTE OF JAMAICA
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A. Executive Summary

Purpose of the Consultancy

In response to Jamaica's prolonged period of low economic growth, the government in 2011 launched the Growth Inducement Strategy (GIS). The GIS was a comprehensive means of collating and addressing the underlying hindrances and opportunities toward generating higher levels of economic growth in the short and medium term. This consultancy was designed to assess the implementation and impact of selected initiatives under the GIS.

Brief Summary of the GIS

The GIS was based on a comprehensive assessment of the Jamaican economy at the time conducted by the Planning Institute of Jamaica (PIOJ). It presented a strategic framework and a structured programme of actions, which focused on seven key areas to be addressed in a time-phased manner, during the short and medium term.

1. Social Inclusion, through the Community Renewal Programme (CRP), was targeted as a primary means of reducing crime. The vision was to unlock creativity and entrepreneurship in selected communities, through organic and sustained development.
2. Asset Mobilization focused on unlocking latent wealth from productive assets through, *inter alia*, comprehensive tax reform, new mechanisms for collateralizing assets, and privatization of underutilized public assets.
3. Enhanced business competitiveness was to be achieved by accelerating the National Energy Policy Action Plan, lowering the cost of capital and improving the productive sector's access to finance, improving workforce productivity, and promoting technical innovation.
4. Public Sector Transformation focused on enhancing the efficiency with which government services are delivered to the public and creating a conducive business environment.
5. The development of Business Networks would promote synergies throughout clusters of economic activity, build and strengthen value-chain linkages, and provide wide-ranging support for emerging clusters of activities.
6. Increasing the Resilience of the Built and Natural Environment focused on initiatives to protect the environment from damages sustained from natural and man-made causes.
7. Urban Regional Development focused on a holistic and integrated programme of social inclusion through initiatives at the local and regional level, as well as through the strengthening of on-lending to MSMEs.

Initiatives Selected for Assessment

The initiatives assessed in this consultancy were selected by the PIOJ and included some from the GIS' initial Growth Strategy Matrix and others subsequently developed as part of the

country's growth-facilitation efforts. To aid in the selection process, the consultancy mapped GIS related activities, programmes, projects and initiatives. From a total of 35 sub-components, 69 agenda items and 192 initiatives or activities, 56 initiatives were eventually agreed on for inclusion in this consultancy.

Research Methodology

Initiative-Specific Data Collection and Analysis

The research methodology was designed to maximize breath of coverage of initiatives given time and budgetary constraints. Primary data on each initiative was collected through self-administered questionnaires, which were created to allow project managers and monitoring and evaluation (M&E) officers within implementing agencies to independently complete the questionnaire.¹ Attempts were also made to collect secondary data on each initiative, so as to bolster/triangulate the data collected from the questionnaires. Of the 56 initiatives targeted for assessment, there were 10 for which no information or insufficient information was provided. Research further revealed that two initiatives were not pursued, and four were merged with or subsumed under other projects. Reports have therefore been prepared for 42 initiatives.

Impact Analysis

In an effort to triangulate the perspectives on impact provided by the implementing agencies, additional analysis using sectoral and macroeconomic data was needed. The large number of initiatives and overlapping nature of many of the projects included in the assessment, however, precluded isolation and analysis of the impact of each. Initiatives were therefore grouped according to the areas that they are expected to impact, and secondary data was collected for analysis of these areas. Data for a period prior to, during and after implementation of the GIS were collected for Jamaica and a comparator group of seven countries – Barbados, Belize, Guyana, Mauritius, Namibia, Seychelles, and Trinidad and Tobago.

The impact areas agreed with the PIOJ were Access to Financing, Human Resource Availability and Capacity, Efficiency of Government Processes, Tax Policy, Energy Cost, Social Re-engineering, Environmental Resilience, and Competitiveness of Targeted Sectors (Agriculture, Business Process Outsourcing and MSMEs). These areas were further grouped into four key themes:

1. Availability of key inputs – access to finance and human resource availability and capacity;
2. Costs of operating a business – energy cost, crime, and government bureaucracy (i.e. tax policy and efficiency of government processes);
3. Environmental Resilience; and
4. Competitiveness of targeted sectors.

¹ It also gave them the option to complete the questionnaire via interview, if they so desired.

Strategic Overview

Even though much of the focus of this project is on initiative implementation and impact, it is important to remember that the GIS was designed as a strategic framework, with the specific agenda items being subject to change with changing conditions. In light of this, an important component of this assessment was a series of reflective elite interviews with the conceptualizers and key implementers of the GIS. Six such elite interviews were conducted, which gave insight into, *inter alia*, the conceptualization, design and implementation of the GIS.

Evolution of Jamaican Economic Growth and Development Strategies

The GIS was not the GOJ's first iteration of a growth-inducing policy. Having struggled with anaemic growth over the last 30 years, Jamaica's development plans have all squarely focused on the issue of economic growth. Understanding the evolution of such policies/plans provides a useful contextual background to the GIS.

The GOJ's growth and development strategies from the early 1990s to 2017 have been presented in this project as a continuum. The GIS is just one of five major planks in this continuum. The National Industrial Policy of 1996 was superseded by the Vision 2030 Jamaica National Development Plan in 2009. The GIS was developed in 2011 to catalyse growth in the short to medium term. It was designed to be fully aligned with the Vision 2030 Jamaica National Development Plan. The Growth Agenda was formulated and published in 2015. The Growth Agenda explicitly acknowledged its foundation as being the GIS, and listed among its successes, were projects that had commenced under the GIS. It did not represent a changing of course, and could be viewed as simply another iteration of the GIS, with an attempt to focus more closely on implementation, coordination, and monitoring and evaluation. The Growth Agenda was in place until a change of political administration in March 2016, after which the Economic Growth Council was almost immediately established. Note, however, that policy continuity is still evident with only a few areas in which the EGC and GIS are different.

The continuity identified is due in large part to a commitment to longstanding research-based problem identification and solution identification processes, including widespread stakeholder consultation, and supported by the technocratic professionalism and expertise exhibited by agencies such as the PIOJ.

Economic Growth, Job Creation and Supply-Side Capacity in Jamaica: Before and After the GIS

The GIS was designed to precipitate economic growth and job creation in Jamaica in the short to medium term (between 2012 and 2017). This was to have been achieved through a broadening of the country's supply-side capacity. A review of Jamaica's performance in these areas, before and after implementation of the GIS and also relative to a set of comparator countries, however, indicated disappointing results.

Jamaican per capita GDP was among the lowest of the comparators, and remained virtually unchanged over the review period. While economic growth rates moved in a positive direction, the magnitude of growth was significantly smaller than most of the comparator countries. Unemployment rates in Jamaica were relatively high, and were larger in the period after implementation of the GIS. Although important indicators of supply-side capacity exhibited improved performance (such as the capacity for innovation, production process sophistication and value chain breadth), such improvements were often miniscule. Also, worsened performance was registered in critical areas such as export performance.

Assessment of the Implementation and Impact of Selected Initiatives

In an attempt to better understand these results, the performance of 42 growth inducing initiatives was assessed. As mentioned, these initiatives were categorized into eight² impact areas, to facilitate assessment of impact based on available secondary data. As illustrated in the figure below, they were further grouped into four thematic areas for ease of analysis. Appendix 1 provides a summary of the status of each of these initiatives.

Availability of Key Inputs

Access to Finance

Access to suitable sources of finance has consistently been highlighted as a critical constraint affecting productive businesses in Jamaica. Improving access to finance has, therefore, been included as a critical part of each of the country's growth and development strategies since the mid-1990s. It is not surprising therefore, that 19 initiatives designed to improve access to financing were identified in the initial mapping of growth inducing strategies implemented by the GOJ. Of these 19, five projects have been reported on, along with two institutions that are specifically geared towards facilitating improved financing. The tables below provide a snapshot of what was achieved in this area, the success factors, challenges faced and impact thereof.

Access to Financing – Initiatives and Objectives

Institution/ Initiative	Objectives
Development Bank of Jamaica	MSME Financing
DBJ's Credit Enhancement Facility (CEF)	Partial collateral guarantees for SME loans
Security Interests in Personal Property Act (SIPPA)	Facilitating the use of non-traditional collateral

² The three (3) sectors under "Competitiveness of Targeted Sectors" shown in the table above were combined and treated as one (1) impact area.

Promoting Financial Inclusion in Jamaica through Mobile Money for the Unbanked	Reduced microfinance transaction costs for low-income Jamaicans
Development of a Venture Capital Ecosystem in Jamaica	Establishing an ecosystem for the creation of a viable VC industry
Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica	To precipitate a change in attitude and behaviours from investors and entrepreneurs
EXIM Bank	Trade Financing & Financing to SMEs

Access to Financing - Summary Assessment of GIS Interventions

Key Achievements	MSME financing facilitated through DBJ lines of credit (70,750 MFI loans and 780 SME loans) Development of the VC ecosystem (at least 5 VC funds launched, and 26 firms receiving funding) Improvements in the institutional support structure for lending (SIPPA, CEF, Credit Bureaus)
Success Factors	Decreased public sector crowding out Expansion of DBJ's distribution channels Consistent focus on this issue under successive GOJ growth and development plans
Critical Challenges	Low levels of awareness and usage of the public sector interventions Intransigent difficulties in accessing credit (collateral requirements, MSME capacity, bureaucracy involved in getting a loan, relatively high lending rates, high levels of informality) Imbalance between MFI and SME financing Limited availability/usage of non-credit sources of financing Efforts to improve financial inclusion (e.g. through mobile money) are embryonic
Overall Impact	Only small improvements made in some indicators of access to finance Jamaica remained one of the worst performers among the comparator countries Domestic credit to the private sector remained limited

Human Resource Availability and Capability

The development of Jamaica's human resources is a core element of the GIS in two respects: (i) unemployment is identified as a persistent problem in the economy, signalling idle or underutilized productive capacity in the form of human resources; and (ii) shortages in the supply of skilled labour, as a key input to the production process, have an impact on the growth potential of the country. In the initial mapping of growth inducing strategies implemented by the GOJ, 18 initiatives related to human resource availability and capability were identified. Seven of these initiatives have been reported on. Two represent efforts at broad labour market reform, and five relate to specific human resource capacity development projects. The tables below provide a snapshot of objectives, achievements, challenges and impact in this area.

Human Resource Availability and Capability – Initiatives and Objectives

Institution/Initiative	Objectives
Labour Market Reform Commission	To propose a comprehensive and holistic set of interventions aimed at labour market reform
Flexible Work Arrangements	Introduction of flexible work arrangements
Caribbean Maritime Career Advancement Programme Youth Employment Solution (CMI CAP YES)	To provide competency-based training and certification for 600 untrained, unskilled and unemployed youths residing in St. James, Westmoreland, Clarendon, St Catherine, Kingston and St Andrew
Sugar Transformation Unit (Phase 1)	To strengthen the economic diversification, social resilience and environmental sustainability of Sugar-Dependent Areas (SDAs) by training 668 individuals within the six SDAs, with the objective of bringing them to a point of skills certification
Sugar Transformation Unit (Phase 2)	To train 871 individuals within the seven SDAs, with the objective of bringing them to a point of skills certification
Delivery of Logistics 101 and 102 Courses	Offers career guidance and a basic knowledge of commercial shipping, logistics and chain management
OAS Craft Enhancement Project	To improve the cadre of craft producers, open market opportunities through the creation of new designs, and improve the quality and variety of products for the tourism market

Human Resource Availability and Capacity - Summary Assessment of GIS Interventions

Key Achievements	<p>Introduction of flexible work arrangements</p> <p>Enhanced training to secondary school leavers provided through CAP (more than 63,755 students enrolled in CAP since its implementation 7 years ago)</p> <p>Numerous training programmes established in critical areas (e.g. displaced sugar workers, craft for the tourism sector, logistics sensitization)</p>
Success Factors	Consistent focus on this issue under successive GOJ growth and development plans

Critical Challenges	<p>No progress yet made in implementation of recommendations for comprehensive labour market reform from the LMRC (October 2017)</p> <p>The GIS focused on short to medium term interventions. It explicitly did not pursue the long-term foundational issues needed to build the HR base from the earliest ages</p> <p>Although indicators of quality of education have improved, Jamaica remains poorly positioned among comparator countries</p> <p>Low levels of enrolment and high attrition rates in a number of training programmes</p> <p>Low levels of literacy of participants in some of the training programmes</p>
Overall Impact	<p>Only marginal progress in reducing the levels of underutilized labour</p> <p>Low and worsening levels of labour productivity, suggesting an element of disguised unemployment</p> <p>Only marginal improvement, and generally sub-par relative performance in the provision of skilled labour in critical areas</p>

Costs of Operating a Business

The GIS strongly emphasized the fact that, at the time of writing, production conditions continued to be negatively affected by long-standing structural constraints, including high cost of doing business, high levels of crime, and high energy costs. This section examines selected initiatives that were implemented in an effort to reduce these critical costs of operating a business in Jamaica, and the assessment of their impact.

Energy

Many of the GOJ's energy initiatives are included in two major, multifaceted projects under the purview of the Ministry of Science, Energy and Technology (MSET). Snapshots of these two projects, along with the Net Billing Programme, are provided below.

Energy – Initiatives and Objectives

Institution/ Initiative	Objectives
Energy Security and Efficiency Enhancement Project (ESEEP)	To increase energy efficiency and security through the implementation of the National Energy Policy
Energy Efficiency and Conservation Programme (EECP)	To enhance Jamaica's energy efficiency (EE) and energy conservation (EC) potential through the design and implementation of cost saving EE and EC measures in the public sector
Net Billing Programme	To facilitate Jamaica's policy goal of having a generation mix of 20% renewable energy by 2030

Energy – Summary Assessment of GIS Interventions

Key Achievements	<p>Through ESEEP:</p> <ul style="list-style-type: none"> 17 new sector regulations have been approved 614MW of new generating capacity has been tendered, negotiated or is under construction One LNG import and reclassification facility has been completed and another is under construction US\$5.38m has been disbursed to SMEs under the line of credit and US\$809m to the electricity sector Oil as a percentage of total fuel source decreased from 91% in December 2010 to 89% in August 2017 (note though that the target was 73%) Through EECF, 36 energy efficiency enhancements were made in public sector entities Entrenchment in legislation of the net billing service
Success Factors	<ul style="list-style-type: none"> Emphasis placed by the GOJ on energy conservation, efficiency and diversification Increased public awareness of these issues
Critical Challenges	<ul style="list-style-type: none"> Adequacy and timely disbursement of project funds Absence of critical members of project executing teams Dearth of technical knowledge in key areas (e.g. experienced engineers) Numerous administrative issues causing limited participation in the net billing pilot programme
Overall Impact	<ul style="list-style-type: none"> Energy consumption has declined The share of renewables in electricity production has increased Both improvements, however, were only by a marginal amount

Efficiency of Government Processes

Five projects have been reviewed, which are aimed at improving the efficiency of government processes. If impactful, these projects will affect businesses at different stages in their life cycle – from registering a business to rendering it insolvent, and will impact at critical operational points, such as trading across borders and transacting with government agencies. Snapshots are below.

Efficiency of Government Processes – Initiatives and Objectives

Institution/ Initiative	Objectives
Electronic Business Registration Form (eBRF) Project	To allow users to register their business name or company from anywhere in the world, and to be ready to start working
Automated System for Customs Data (ASYCUDA World)	To facilitate trade by strengthening the capacity of Customs administrations to carry out their operations more effectively

Port Community System (PCS) for Jamaica	To enable the intelligent and secure exchange of information between public and private stakeholders in order to improve the efficiency and competitive position of the sea and airport communities
Implementation of Electronic Government Procurement in Jamaica	To continue the procurement modernization process, furthering the objectives of enhanced transparency and improved efficiency
Implementation of the Insolvency Act	To provide companies that have either fallen into or are on the brink of insolvency with the opportunity to implement viable turnaround strategies, and preserve assets and jobs through business continuation

Efficiency of Government Processes - Summary Assessment of GIS Interventions

Key Achievements	<p>Through ASYCUDA:</p> <ul style="list-style-type: none"> Automation of customs import/export formalities to include paperless submission payment and processing Integration with Terminal Operators, the Port Community System and Public Bonded Warehouse Keepers Reduced clearance times and intrusive inspection methods Reduced cost to traders and greater transparency <p>Through PCS:</p> <ul style="list-style-type: none"> Full launch of the transshipment module in Kingston and Montego Bay Shipping agents are submitting manifests in native format to JCA via the PCS The entire transshipment process is now being handled in a paperless format Kingston Freeport Terminal and Kingston Wharves Limited (Terminal Operators) are now using the PCS to verify transfer authorization <p>Through E-Tendering (at the time of the study):</p> <ul style="list-style-type: none"> Over 300 procurement opportunities have been executed through the platform Over 2,000 suppliers (local and international) are registered and have participated in GOJ tender opportunities New Insolvency Regime established and operational
Success Factors	Consistent and multifaceted focus by the GOJ on improving the efficiency of operations
Critical Challenges	<ul style="list-style-type: none"> Adequacy and timely disbursement of project funds Absence of critical members of project executing teams Dearth of technical knowledge in key areas Procurement delays Resistance to change by major stakeholder groups Limited awareness and usage of rehabilitation function under the insolvency regime

Overall Impact	Improvements have been made to the number of procedures and costs associated with starting a business The costs of trading across borders was relatively high and had increased over the review period
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Tax Policy

The GOJ has been implementing a comprehensive tax reform agenda since the issuance of the White Paper on Tax Reform in September 2012. Along with the fiscal mandate of collecting adequate tax revenue, the White Paper clearly enunciates the objective of tax reform as including the reduction of inequities and provision of acceptable tax rates to engender local business development and attract FDI. One of the principles of an effective tax system highlighted in the White Paper is simplicity and transparency to allow for ease of taxpayer compliance and effectiveness of tax administration.

Tax Policy – Initiatives and Objectives

Institution/ Initiative	Objectives
Amalgamation of Payroll Deductions	To facilitate ease of taxpayer compliance through enhanced simplicity and transparency of the tax system
Reform of Jamaica's Tariff Structure	To reduce opportunities for misclassification by reducing tariff dispersion; reduce high rates to converge to a standard minimum rate; and increase rates levied on a number of zero-rated goods
Abolition of all Duties and Rates attached to the Process of Probate	To amend the Transfer tax and Stamp Duty regime to provide for greater efficiency and reduce the real and perceived burden on the taxpayer
Introduction of the Fiscal Incentives Regime	To implement a more broad-based competitive general tax system, designed to reduce bureaucracy, ease compliance and administration, equitably spread the tax burden across various sectors of the economy, and afford benefits to businesses that provide employment

Tax Policy - Summary Assessment of GIS Interventions

Key Achievements	<p>Through Amalgamation of Payroll Deductions:</p> <ul style="list-style-type: none"> Consolidation of the monthly forms Single payment for deductions for employers Mandatory e-filing of annual returns Self-employed persons and own account workers can now remit estimated Income Tax, Ed Tax, NIS and NHT quarterly on a single form NHT system adjusted to allow quarterly payment for self-employed persons to be based on estimated income as filed with the TAJ Removal of requirement for JP certification on Declaration of Income Filing of annual returns is now made on one super form to the TAJ <p>Through Reform of Jamaica's Tariff Structure:</p> <ul style="list-style-type: none"> Reduced opportunities for misclassification by reducing tariff dispersion Reduction of high rates to converge to a standard maximum rate Increased selected rates levied on a number of goods from 0 to 5 percent General reduction in Transfer Tax and Stamp Duty <p>Through Fiscal Incentives Regime:</p> <ul style="list-style-type: none"> Overhauled the previous framework of tax incentives More broad-based competitive general tax system Reduced bureaucracy, ease of compliance and administration, equitable spread of tax burden across various sectors of the economy Benefits to businesses that provide employment
Success Factors	<ul style="list-style-type: none"> Consistent and multifaceted focus by the GOJ Clear policy direction provided in the White Paper on Tax Reform Committed staff members
Critical Challenges	<ul style="list-style-type: none"> Lengthy legislative process Absence of specifically dedicated project staff Competing priorities - number of reforms being implemented simultaneously
Overall Impact	<ul style="list-style-type: none"> Reduction in number of tax payments, time to prepare and pay taxes, and total tax rate Except for the number of tax payments, these positive developments did not result in Jamaica significantly improving its performance relative to the comparator countries

Crime

The GIS lists a number of fundamental factors that severely impede investment in Jamaica. At the top of that list is crime and violence, which was estimated to cost the economy between 5% and 7% in output growth annually. The Community Renewal Programme (CRP) was proposed as a means of providing an essential antidote to crime by offering positive alternatives to illegal activity in 100 targeted communities throughout the island. The Social Protection Project was also reviewed as another potential key contributor to crime reduction through poverty alleviation. Although both projects are expected to have considerable intermediate outcomes, impact is

assessed solely on the ultimate objective of crime reduction. The tables below provide a brief summary of the initiatives and assessment thereof.

Crime – Initiatives and Objectives

Institution/ Initiative	Objectives
Community Renewal Programme (CRP)	To ensure that citizens in the targeted communities are empowered to live full and satisfied lives and to transform their volatile and vulnerable communities into secure, cohesive, just, prosperous and healthy environments
Transforming Lives through Renewable Energy Initiative and Youth Empowerment in Majesty Gardens	To bring environmental, economic and social benefits to the Majesty Gardens community
Social Protection Project - Additional Financing	To fight current poverty through monetary transfers and to reduce poverty in the future by encouraging poor households to invest in health and education of their children through conditionalities

Crime - Summary Assessment of GIS Interventions

Key Achievements	<p>Through the Community Renewal Programme (CRP): Between 2012 and 2016, 17 communities were prioritized for partner intervention. Partnerships were secured and implementation of partner projects began The Majesty Gardens Pilot Project was successfully completed (although impact on livelihoods, quality of life and crime were not reported on)</p> <p>Through the Social Protection Project: Positive impacts of PATH on school attendance, performance and completion, enhanced parental involvement in children's education, and increased visits to health centres</p>
Success Factors	Consistent focus on this issue under successive GOJ growth and development plans
Critical Challenges	<p>The CRP was beset by major delays, with implementation of the 2015-2018 strategic implementation plan only commencing in late 2016</p> <p>Absence of a CRP M&E system and M&E staff for most of the review period</p> <p>Lack of full staff complement to manage the six sub-components under the CRP</p> <p>Lack of team members with the requisite skill levels</p> <p>Lack of requisite physical capacity (e.g. a coordination database, M&E tools, office space)</p> <p>Delays caused by other stakeholders (e.g. implementing partners)</p> <p>Sparse community-level data</p>
Overall Impact	<p>Impact of the CRP not expected until 2019</p> <p>While some categories of crime were reduced, violent crimes had increased over the review period.</p> <p>Jamaica had the worst scores amongst the comparator countries in organized crime and the business costs of crime and violence</p>

Environmental Resilience

The GIS focused on enhancing the resilience of the built and natural environment. About 40 such initiatives were identified in the initial mapping of growth inducing strategies implemented by the GOJ. Five of these initiatives were specifically related to climate change adaptation, and several others, of an infrastructural nature, were related to disaster risk reduction. Many of these initiatives were encapsulated under the GOJ/EU/UNEP Climate Change Adaptation and Disaster Risk Reduction Project, summarized below.

Environmental Resilience – Initiative and Objectives

Institution/ Initiative	Objectives
GOJ/ EU/ UNDEP Climate Change Adaptation and Disaster Risk Reduction Programme (CCADRRP)	To increase resilience and reduce risks associated with natural hazards in vulnerable areas, through the implementation of adaptive measures to climate change, thereby contributing to the sustainable development of Jamaica

Environmental Resilience - Summary Assessment of GIS Interventions

Key Achievements	<ul style="list-style-type: none"> Improved capacity of local communities to contribute to the rehabilitation of and benefit from watersheds/forestry resources Enhanced capacity for restoring degraded lands through the rehabilitation of plant nurseries Enhanced resilience of local rural communities with the construction of river protection structures Increased shoreline protection for selected sites Greater diversity in livelihood opportunities
Success Factors	<ul style="list-style-type: none"> Project management units and dedicated staff in place to oversee day-to-day operation of the projects Timely and effective monitoring and evaluation (M&E)
Critical Challenges	<ul style="list-style-type: none"> Initial lack of nimbleness of local partner Initial slow processing by international partner
Overall Impact	<ul style="list-style-type: none"> Positive performance with respect to the containment of deforestation Weak results for the protection of biodiversity Considerable room for improvement with respect to how certain livelihood practices impact the environment

Competitiveness of Targeted Sectors

The issues addressed in the previous sections are cross-cutting and affect all productive sectors. In this section we examine the sectors and types of firms that are specifically targeted in the

GOJ's growth inducement initiatives as important to economic growth creation. Provided below is a snapshot of the initiatives that targeted the agriculture and BPO sectors.

Agriculture and BPO – Initiatives and Objectives

Institution/ Initiative	Objectives
Jamaican Agricultural Competitiveness Programme (JACP)	To increase the competitiveness of the agricultural sector in Jamaica by: increasing the capacity of small and medium-sized farmers to access national and international markets; increasing the performance of the country's food quality and safety management systems; and fostering the development of agricultural and agro-processing value chains
Essex Valley Agriculture Development Project	To enhance production and productivity of farmers in Essex Valley in a socially inclusive gender equitable and climate sensitive manner
Enhancing the Climate Resilience of the Agricultural Sector by Improving Water and Land Management	To build enhanced capacity to protect livelihoods and food security in vulnerable communities by improving land and water management for the agricultural sector, and strengthening and building institutional and local capacity for climate change adaptation
Rural Economic Development Initiative (REDI)	To improve market access to micro and small scale rural agricultural producers and tourism product and service providers
Five-Year National Strategy for the Development of Jamaica's Outsourcing Industry	To create a holistic approach to developing the outsourcing sector, integrating all aspects of the ecosystem required for the expansion of the industry, by leveraging the resources and expertise of all relevant industry stakeholders
DBJ/Petro-Caribe ICT Infrastructure Loan Facility to Facilitate the Expansion of the ICT/BPO Sector	To provide financing to experienced operators/developers for the construction of IT-ready facilities

Agriculture and BPO - Summary Assessment of GIS Interventions

Key Achievements	<p>Through the Jamaican Agricultural Competitiveness Programme (JACP): Training workshops, trade missions, GlobalGAP certification activities, purchasing of equipment, preparation of policy documents, execution of food safety surveys, and public awareness and dissemination activities Numerous road, construction and irrigation works in the agro parks Facilitation of marketing contracts with a number of agro parks for the supply of agricultural produce to domestic purchasers Sales from agro-park production at the end of the programme was \$264m</p> <p>Conceptualization and design of the Essex Valley Agriculture Development Project (note though that this project has not yet commenced) Through the Enhancing the Resilience of the Agriculture Sector & Coastal Areas (Component of the GOJ Adaptation Fund):</p>
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	<p>Increased production in targeted communities of more than 7,500 MT of products valued at over \$1.5 billion</p> <p>Increased economic enterprises and reduced land slippage and soil erosion in targeted communities</p> <p>Through the Five-Year National Strategy for the Development of Jamaica's Outsourcing Industry: 22,000 new jobs added to the BPO sector as at March 2017. This places the project on course to create 33,000 jobs by March 2018.</p> <p>Through the DBJ/Petro-Caribe ICT Infrastructure Loan Facility to Finance the Expansion of the ICT/BPO Sector: At the time of reporting, disbursement totalled \$52.52m, supporting 13 ICTIL projects with a square footage of 918,550, and 8,074 jobs created. The number of jobs created is also projected to increase when some construction projects are completed and a BPO operator is accommodated.</p>
Success Factors	<p>Improvements in the business environment</p> <p>Macroeconomic stability</p> <p>Global expansion of the outsourcing industry</p>
Critical Challenges	<p>For Agriculture: Conceptual and implementation challenges that affected the agro-parks initiative Absence of critical members of project executing teams Dearth of technical knowledge in key areas Competing priorities - number of reforms being implemented simultaneously The IDB's Results Matrix for the JACP indicated that although positive impacts were registered, they never attained the transformative potential envisioned</p> <p>For BPO: The training targets are not being met. As at end-September 2017, 450 persons were trained and certified in HEART's Customer Engagement Programme, below the target of 2,100. Difficulties include recruiting trainees, and slower than expected pace of training Need to significantly improve the CSEC performance of secondary school leavers (particularly in English Language) Insufficient funding for infrastructure expansion</p>
Overall Impact	<p>While output from the agricultural sector significantly increased over the review period, growth was very volatile</p> <p>Most agricultural exports experienced significant volatility around a declining trend</p>

MSMEs were also targeted in the GIS. The support given to MSMEs through initiatives designed to improve access to finance was addressed previously. MSME capacity building is another central thrust of the GOJ's growth induction efforts. The assessment of initiatives implemented to that end is summarized below.

MSME Capacity Building – Initiatives and Objective

Institution/ Initiative	Objectives
Jamaica Business Development Corporation (JBDC)	Provision of business advice, consultancy and training needed to help MSMEs to survive and prosper
DBJ Voucher for Technical Assistance	To assist MSMEs in strengthening their managerial and administrative abilities to improve their creditworthiness
DBJ Capacity Development Grants (Call for Projects)	To support projects that will result in capacity building of businesses
Innovation Grant from New Ideas to Entrepreneurship (IGNITE) Pilot Programme	To support innovative business projects requiring financing to boost operations from ideas to commercialized products
DBJ Energy Audit Grant	To provide grants to businesses for the purpose of conducting energy audits that will enable them to identify cost savings
Small Business Growth and Distribution Linkages Project	To: (i) facilitate enterprise readiness to access market opportunities and financing through technical and business support; and (ii) facilitate distribution linkages through increased marketing activities

MSME Capacity Building - Summary Assessment of GIS Interventions

Key Achievements	<p>Through the JBDC (2015/16):</p> <ul style="list-style-type: none"> 100 training sessions conducted, with 2,705 participants; 6 mobile clinics organized, with 1,028 entrepreneurs engaged; The small business expo and conference hosted, with 360 participants 358 products screened <p>In total, 5,174 MSMEs assisted through 8,569 interventions</p> <p>80% of these interventions focused on the provision of business advisory services</p> <p>Through the DBJ Voucher for Technical Assistance (between May 2014 and October 2017):</p> <ul style="list-style-type: none"> 1,541 vouchers issued at a value of \$333.8m to 938 MSMEs The vouchers have been issued primarily for business plans (392), business process improvement (184), financial statements (160), strategic plans (130), and mentorship and coaching plans (103) 292 of these vouchers were redeemed (4 receiving credit from DBJ and the others from approved financial institutions (AFIs)) There are 19 Business Development Organizations (BDOs) in the project, offering 27 services <p>Through the DBJ Capacity Development Grants (Call for Projects):</p> <p>In 2015 and 2016, the target of supporting the capacity development of 350 MSMEs</p>
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MSME Key Achievements (Cont'd)	<p>was met</p> <p>70% of projects funded have met their objectives and targets</p> <p>As at October 2017, about half of the targeted projects were on stream</p> <p>Through the Innovation Grant from New Ideas to Entrepreneurship (IGNITE) Pilot Programme:</p> <p>27 SMEs supported, with all but one remaining in the programme as at October 2017</p> <p>\$51m in grants disbursed for projects</p> <p>10 SMEs made progress along the business scale, with 3 SMEs progressing to commercialization during the programme</p> <p>\$60,422,758 in local revenue from 18 projects, and \$22,306,875 in export revenue from 10 projects</p> <p>215 new jobs created</p>
Success Factors	<p>Well trained, highly capable and skilled staff (JBDC)</p> <p>Dedicated staff provided for each project (DBJ)</p>
Critical Challenges	<p>Financial, human resource and physical space constraints (JBDC)</p> <p>Low rate of redemption of DBJ's vouchers for technical assistance</p> <p>Need to expand/outsource capacity to provide more technical services and guidance to MSMEs through the DBJ's VTA and IGNITE programmes</p> <p>Insufficiency of grant amount (IGNITE)</p> <p>Low levels of awareness and usage of interventions</p>
Overall Impact	<p>Tax data indicate declining numbers and size of MSEs</p> <p>Total early-stage entrepreneurial activity slightly declined over the review period</p> <p>An increase in the rate of established business ownership, suggests an improvement in the survival rate of businesses in Jamaica</p> <p>The percentage of necessity-motivated businesses surpassed that of improvement-driven opportunity motivated businesses over the review period</p> <p>The MSE sector continues to be dominated by firms engaged in buying and selling or offering some type of service, which tends to stymie the sector's potential for job creation</p> <p>Jamaica's high job creation expectation rate was the lowest among the comparator countries. Jamaica was also the only country for which that rate declined over the review period.</p> <p>There are some indications that the future of Jamaican entrepreneurship may be bright (relatively high and increasing intentions to start a business in three years, perceived opportunities to start a firm, perceived capabilities to start a business, and high status to successful entrepreneurs)</p> <p>Poor scores for various aspects of the extent to which public policies support entrepreneurship indicate very little awareness of or appreciation for the initiatives introduced by the GOJ</p>

Why Hasn't the Impact Been Greater? Conclusions and Recommendations

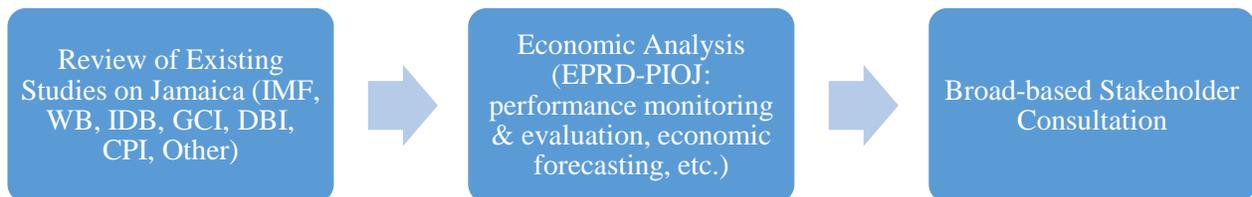
The impact assessment results indicate very limited progress in achieving the GIS' ultimate objectives of economic growth and job creation, and mixed results in most of the intermediate goals. This section attempts to unearth the reasons for this poor performance by investigating four critical questions:

- Is the GOJ confronting the right issues?
- Is the GOJ utilizing the right types of initiatives to confront these issues?
- Are these initiatives being implemented effectively? and
- Is the GOJ doing enough?

Is the GOJ confronting the right issues?

The process used to identify the critical problems to be addressed is important. If arbitrary and/or misdirected, such a process can lead to poorly focused strategies. The GOJ has exhibited a longstanding commitment to the research-based problem identification process illustrated in the figure below.

Problem Identification Process



Numerous studies on the Jamaican economy have been conducted by international development partners (IDP) and by researchers commissioned by the GOJ. Additionally, there are several cross-country indices that score and rank the performance of countries in numerous areas relating to competitiveness, ease of doing business, corruption, etc. As a norm, the GOJ's problem identification process starts with a review of such studies, indices and rankings. This is supplemented by the in-depth economic analysis conducted by the Economic Planning and Research Division of the PIOJ, which assesses past economic performance, as well as makes projections as to future performance. Finally, broad-based stakeholder consultation is usually a critical component of the process.

This problem identification process seems to be sound in its conceptualization, and is asserted to have been rigorously applied to date. The result has been the identification of a set of problems affecting the Jamaican economy that has been quite consistent since the 1990s. The consensus typically achieved around the validity of these issues (both among local stakeholders, as well as the IDPs), suggests that the GOJ is indeed attempting to confront the right issues.

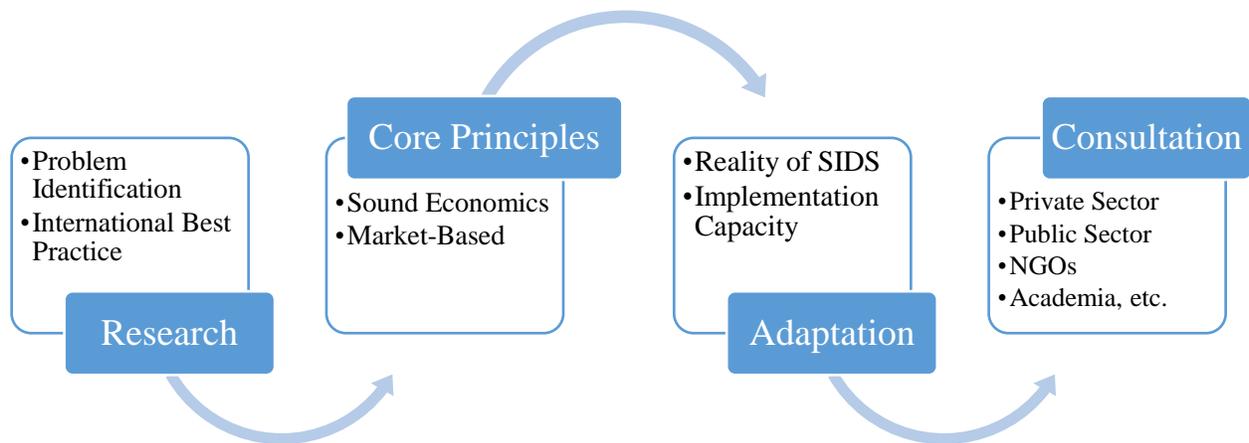
Problems Identified

Crime & Violence	Corruption	Taxation	Electricity	Finance	Macroeconomic Instability
Bureaucracy & Regulation	Quality of Labour Force	Quality of Infrastructure	Foreign Trade Regime	Goods Market Efficiency	Labour Market Efficiency
	Financial Market Development	Technological Readiness	Business Sophistication	Innovation	

Is the GOJ utilizing the right types of initiatives to confront these issues?

Having identified the problems, it is important to next ascertain whether the GOJ has been utilizing the right types of initiatives to address them. The critical factor in determining this is whether a sound process has been utilized to identify the solutions. The solution identification process illustrated in the figure below has been typically applied by the GOJ in the formulation of its growth and development plans and strategies since the early 1990s.

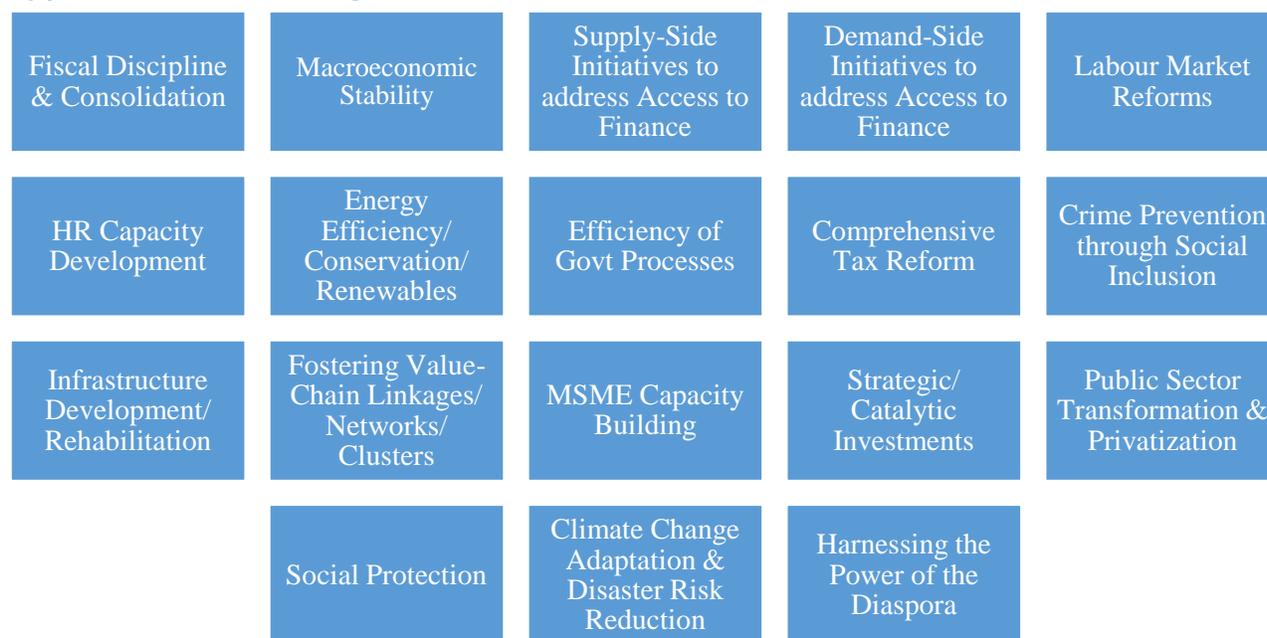
Solution Identification Process



This process starts by using the output of the problem identification process. Extensive research, often aided by technical assistance from the IDPs, is next conducted to ascertain the international best practices for addressing those problems. The search for best practices is, however, typically confined to within the parameters of sound economic theory and market-based principles. The best practices identified are then prioritized and adapted to reflect the Jamaican reality as a small island developing state (SIDS) with limited fiscal space and implementation capacity. The solution identification process is also typically informed and shaped by broad-based stakeholder consultation.

This solution identification process seems to be conceptually sound, and is asserted to have been rigorously applied to date. It has resulted in a set of solutions being targeted that may vary in name with changing administrations, but which have been quite similar at the core since the National Industrial Policy (NIP) of 1996. The figure below generically highlights the types of solutions that have been targeted. The consensus typically achieved around these approaches (both among local stakeholders, as well as the IDPs) suggests that the GOJ is attempting to utilize the right types of initiatives to confront the issues identified.

Types of Solutions Targeted



Are these initiatives being implemented effectively?

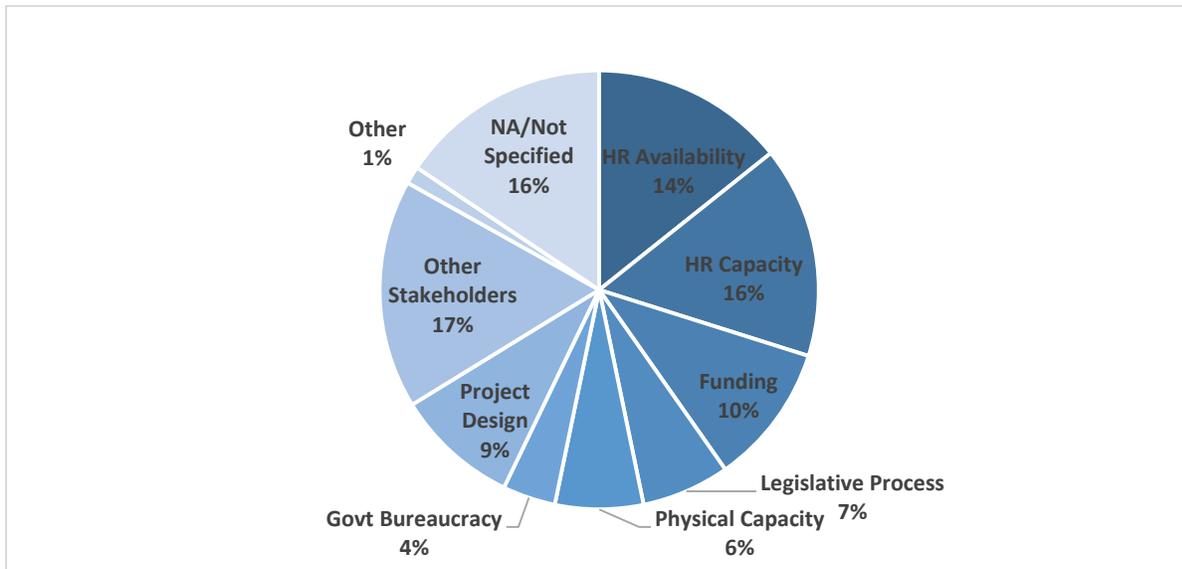
If the right issues are being tackled using the right types of initiatives, then the next critical factor is whether the initiatives have been implemented effectively. The results from this study show that almost a half of the projects included were assessed as being beset by major delays or minor delays, and over one-third of the initiatives were assessed as being either ineffectively implemented or only somewhat effectively implemented. This is concerning, particularly bearing in mind that these are results from self-assessments that would be expected to be skewed towards reporting positive outcomes.

Also noteworthy is the fact that, despite the red flags regarding the timeliness and effectiveness of a significant proportion of the initiatives, monitoring and evaluation of most of them was assessed as being timely and effective. Only four initiatives were assessed to have a monitoring and evaluation function that was not timely and ineffective. This calls into question the manner in which M&E is being conducted for some of these initiatives. If effective, one would expect timely M&E to be able to identify implementation constraints and institute measures to prevent

significant implementation delays. This either was not the case, or it may have been that the challenges to timely and effective implementation were beyond the control of the implementing agency.

The figure below presents the challenges identified for the initiatives reviewed.

Challenges Faced During Project Implementation



Almost a third of the respondents identified inadequacy of human resource availability and capacity as being critical constraints. A common issue across numerous initiatives was the absence or inadequacies of a project execution unit, with dedicated staff with the appropriate expertise. Dearth of skilled project managers and persons with technical skills was particularly challenging, and often resulted in key project functions being delayed or cancelled because critical personnel had to be shared across projects.

Almost one-fifth of the initiatives indicated that challenges with other stakeholders constrained implementation. Such challenges involved receiving key deliverables in a timely manner, and maintaining proper channels of communication. Ensuring accountability and proper communication amongst all implementing partners is a coordination function, which seems to have been less than effectively fulfilled for some of the initiatives reviewed.

For those initiatives which entailed legislative actions, the lengthy legislative process was frequently identified as a severely constraining factor.

Note, however, that only 10% of the initiatives identified funding as a constraint. This reflects the fact that many of the initiatives received funding support from IDPs. In some instances, though, it was noted that although funds were available, the procedures required to access them were onerous. Most often, however, the resource constraints were non-financial, and related to

the aforementioned human resource availability and capacity issues, as well as, to a lesser degree, issues with physical capacity (such as office space and equipment).

The above analysis strongly indicates that challenges with implementation of reform initiatives have adversely affected their ability to be fully impactful. The GOJ needs to carefully consider these issues with implementation as it proceeds with its growth inducement efforts.

Is the GOJ doing enough?

While this line of questioning may lead to a search for more fundamental reform efforts, the assessment conducted herein suggests that a first line of attack should entail a closer examination of the results of the initiatives already implemented.

Low-Hanging Fruit and Operational Issues

Almost half of the respondents have assessed their initiatives as being very impactful. This, however, has not translated into the growth outcomes expected. A possible reason for this is the fact that, for many of the initiatives, the justification of impact was based on the achievement of project outputs, as opposed to an assessment of final impact. It is therefore recommended that:

- The impact assessment culture in the GOJ be improved, with impact assessment being clearly distinguished from reporting on project outputs/ achievements.
- The mandate of the PIOJ's Growth Inducement Programme (GIP) should include an empowered coordinating role, particularly of the M&E function, so as to ensure that adequate attention is placed on initiative impact. The GIP should be given sufficient resources in order to do so.
- Mechanisms should be put in place through which MDAs will be regularly updated as to progress being made with the GOJ's growth inducement efforts, and their role therein.
- Efforts should be exerted to educate the public as to the core principles behind and significant continuity exhibited in the GOJ's growth inducement strategies. Any possible confusion regarding the different growth initiatives being pursued by the GOJ should be resolved and replaced with a clear focus on core principles.
- The PIOJ GIP should iron out an agreement with the EGC, where responsibilities are clearly delineated and complementary.
- The role of the PIOJ in conducting the research and otherwise supporting the rigorous problem identification and solution identification processes previously outlined is critical and should continue.

There are numerous initiatives that have been completed, or are near completion, which have not been very impactful, simply because there are a few remaining constraints to be resolved. These

types of issues represent low-hanging fruit that a coordinating body, such as the GIP, can bring the requisite attention, resources and coordinating effort. The figure below presents a list of such areas.

Growth Inducement Initiatives with Few Remaining Constraints (Low Hanging Fruit)

<p>DBJ's Credit Enhancement Facility: Increase firms' awareness & understanding of the CEF through a public education campaign; Improve perception of the product</p>	<p>The Secured Transaction Regime (via the Security Interests in Personal Property Act - SIPPA): Public sensitization efforts; Develop guidelines for the valuation & treatment of non-traditional collateral; Review Stamp Duty issues</p>	<p>The Career Advancement Programme (CAP): Assess the causes of the high rate of attrition in certain centers toward militating against these; Introduce more rigorous student selection measures where necessary</p>
<p>Sugar Transformation Unit: Investigate reasons for lack of interest in training programmes offered; Implement initiatives to increase enrollment for future training programmes</p>	<p>Craft Enhancement Project: The OAS Craft Enhancement Project revealed significant unmet demand for training in this area. Similar projects could be pursued, but with a focus on scalability</p>	<p>Net Billing Programme: Implement measures to increase usage, including passage of regulations and new standard offer contract</p>
<p>Automated System for Customs Data (ASYCUDA World): Continued training of stakeholder groups; Full use of final product by JCA operation staff</p>	<p>E-Government Procurement: Implement measures to manage user access, provide user support & ramp up public education campaign; Improve related systems to maximize overall benefits</p>	<p>Insolvency Act: Educate public as to the role of the Office of the Supervisor of Insolvency & the need for early intervention if rehabilitation is to be possible</p>
<p>National Strategy for Outsourcing Industry: Market Jamaica's capacity in finance & accounting; Increase web analytics capability for KPO space; Public education re careers in outsourcing; Develop Jamaica BPO brand; Channel HOPE participants to HEART BPO training programmes</p>	<p>DBJ/Petro-Caribe ICT Infrastructure Loan Facility: Access the additional funds that were earmarked for the BPO sector, if still feasible</p>	<p>DBJ TA Vouchers: Measures to increase redemption of vouchers; Revisions to increase demand; Efficiency improvements to disbursement process; Increase offering of technical services; Partner with other entities to increase accessibility</p>
<p>DBJ Call for Projects: Implement measures to ensure that projects not selected are provided with necessary guidance</p>	<p>DBJ IGNITE: Develop post-pilot plans for continuation & expansion; Source requisite resources; Develop private sector systems of support for firms graduating from IGNITE</p>	<p>JBDC: Secure additional human and physical resources required for expanded service offerings</p>

More Fundamental Considerations

Scalability

Consideration needs to be given to whether initiatives reach the intended beneficiaries on a scale that allows them to have a national impact. While the cumulative benefit of smaller projects is not being denied, in a situation where issues seem intransigent, and past improvements have only been miniscule, attention should be placed on projects which have the potential to be scaled up, either through the number of beneficiaries actually reached, or through signalling effects. Initiatives should be carefully monitored to ensure that potential scale benefits are being realized. Impact assessments should not be based on just the number of beneficiaries reached, but also on the proportion of the total target market reached. The issue of scale and scalability is one which the PIOJ's GIP needs to focus on in its M&E coordination efforts.

Continuation of Broad-Based Reform Efforts

There are also a number of fundamental growth inducing reform efforts to which the PIOJ GIP needs to pay keen attention. Important among these is the comprehensive labour market reform agenda developed by the Labour Market Reform Commission. Numerous issues have been highlighted with utilization, productivity and skill-levels of human resources in Jamaica. The Labour Market Reform Agenda is an important component of the growth inducement strategy, and should be pursued vigorously. The report is currently with the Ministry of Labour and Social Security, and an implementation plan has not yet been developed. Progress in this area needs to be pushed.

Relatedly, numerous indicators on human resource capacity have pointed to deficiencies in the country's educational system. Higher levels of innovation and business sophistication are dependent on the quality of early childhood, primary and secondary education. Reformation of the Jamaican educational system should therefore be viewed as a growth inducement strategy, or at least be monitored as an important associated initiative.

Climate change studies have forecasted the increased frequency and intensity of extreme weather events and natural disasters. Disaster risk reduction and climate change adaptation should therefore be accorded priority among the growth inducement initiatives. It was noted, however, that since the CCADRRP, which was completed four years ago, no other major cross-cutting disaster risk reduction and climate change adaptation projects have been initiated in Jamaica. This is of concern and needs to also be vigorously pursued.

The vulnerability of the agricultural sector to extreme weather events, as well as to a host of other economic shocks has also been highlighted. Consideration should be given to projects that will foster improved resilience through enhanced and modernized farming methods. The Essex Valley Agriculture Development Project seems to be in line with this objective. The project has not yet started, so progress towards this end needs to be carefully monitored. The extent to which this or other projects can be scaled up to other critical agricultural centres needs to be considered.

Crime continues to be an impediment to investment and a cost to doing business in Jamaica. The Community Renewal Programme (CRP) was introduced through the GIS as an antidote to crime. It was noted, however, that implementation and coordination challenges caused major delays, with the M&E function only belatedly being incorporated. Crime is too major a problem in Jamaica for the CRP not to be fully staffed and equipped with the highest levels of expertise needed. Monitoring and evaluation of this programme needs to be extremely timely and effective so as to quickly ascertain where challenges occur and to implement corrective measures. The adequacy of this programme to address violent crime also needs to be reassessed.