

KEYNOTE ADDRESS
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MINISTER OF INDUSTRY,
INVESTMENT & COMMERCE
OFFICIAL LAUNCH OF GLOBAL
ENTREPRENEURSHIP MONITOR
(GEM) 2013 JAMAICA REPORT &
INAUGURAL INTERNATIONAL
CONFERENCE ON
ENTREPRENEURSHIP

WEDNESDAY, JUNE 25, 2014
JAMAICA CONFERENCE CENTRE

Salutations:-

- Dr. Paul Golding, Associate Professor & Dean, College of Business & Management
- Mr. Michael Steele, Head of School, Joan Duncan School of Entrepreneurship, Ethics and Leadership
- Dr. Rodrigo Varela, Director, GEM Caribbean
- Dr. Sean Moncriffe, Head of the School of Pharmacy
- Members of the UTECH community
- Members of the media
- Friends
- Well-wishers

I greet you all.

Let me commend, in particular, the staff and students of the College of Business Management, UTECH, for your consistent role in promoting entrepreneurship in Jamaica. From the point of view of the micro, small and medium sized enterprises (MSMEs), universities such as UTECH, can serve as an external source of information, both for new ideas and innovation. I am sure, therefore, that this inaugural international conference on entrepreneurship is the first of many more to come. The theme: **“Engaging Entrepreneurship through Innovation for Global Growth”**, is very powerful, and an appropriate theme, especially in the context of our thrust here in Jamaica towards becoming a logistics-centred economy.

I am also looking forward to the launch of the 2013 Global Entrepreneurship Monitor (GEM) Jamaica report. Over the years, we have come to regard the GEM global and country-specific reports as reliable sources of information on entrepreneurship. These reports have become well-respected references at the national policy level in academia and business, filling a vital need in an area where relevant data and up-to-date information is often scarce, or lacking.

This is particularly instructive, given our data-driven and evidence-based approach to policy-making at the Ministry of Industry, Investment and Commerce, the business Ministry, for which I am Minister.

The GEM 2009 Jamaica report, for example, showed an increase in entrepreneurial activity of 7.6% over the previous year. I am anxious to see the findings of the 2013 report.

Entrepreneurs

Ladies and gentlemen, the Government of Jamaica recognizes the important role played by entrepreneurs, the sizeable contribution they make to employment and GDP, and their implications for growth. Entrepreneurship is the engine of investment and business growth and the foundation of sustained wealth creation. Indeed, it is the lynchpin of any serious effort to grow the MSME sector and the revitalization of our economy. It is the responsibility of government to create the framework for harnessing the energies of the entrepreneurial community.

Government must and is committed to work in partnership with the private sector to create the best conditions for fostering entrepreneurship as a platform for private sector-led growth. This is why we created the MSME & Entrepreneurship Policy to identify the critical impediments to unlocking the investments needed to drive start-ups and expand existing businesses. Creating and enabling business environment, improving access to capital and strengthening the capacity of MSME businesses are essential to channeling the energies of the private sector to drive growth and development.

We recognize that financial access is critical for entrepreneurial growth and development, and have taken the lead in introducing and supporting initiatives to improve access to finance. To be sure, other elements affecting entrepreneurial growth must also be addressed, but studies after studies supported by our own experience points to financing of the sector has been a key constraint on the growth of the sector and its contribution towards national development.

Financial institutions have been reluctant to lend to MSMEs owing to:-

- Insufficient assets and low capitalization
- Vulnerability to market fluctuations
- High mortality rates – risk profile of businesses in the sector
- High administrative and transaction costs associated with lending smaller amounts

Considering the relatively high level of financial exclusion in the MSME sector, the drive to universal financial access is no longer simply a policy choice – it is, indeed, an absolute necessity.

Against the background of a comprehensive MSME and Entrepreneurship Policy, we are intensifying a number of measures to ensure that entrepreneurs in the sector have a better chance of business success. Let me very briefly touch upon a few of them:-

Secured Interest in Personal Property Act

We are establishing a secured transaction framework to facilitate improved access to credit through inclusion of moveable property, as allowable forms of collateral. Moveable property is any property that can be moved from one location to another. So that, ladies and gentlemen, the refrigerator being used to store the beers, or the television set being used to watch the World Cup games, can now be used as collateral. This is a real opportunity for micro and small business expansion in this country.

The Security Interest in Personal Property (SIPP) Act allows for the use of personal property (that is, assets other than real estate) to be used as collateral for loans, to promote entrepreneurship and growth.

In addition, owners of creative works, innovators, and inventors, are now able to leverage their intellectual property, such as copyright, patents and trademarks, to be used as collateral in the process of securing loans.

The SIPP Act will, undoubtedly, lead to the creation of a more robust and dynamic MSME sector. This is a significant achievement on the part of the Government, and one which will have a major positive impact on the long-term sustainability of the MSME sector. It also serves to underscore the commitment of the Ministry of Industry, Investment and Commerce to supporting this sector, which is critical to economic growth, job and wealth creation.

In addition to the SIPP Act, there is the SIPP Registry, sometimes referred to as the National Collateral Registry. The aim of this registry is to facilitate financing for MSMEs. The Registry, administered by the Companies Office of Jamaica, is a repository of information on non-real estate assets being tendered as collateral for securing loans.

Modern Insolvency Framework

Ladies and gentlemen, in Jamaica most of us know the stigma and the fear associated with bankruptcy. We are moving to change that with modern bankruptcy laws that will encourage entrepreneurship and facilitate the rehabilitation of viable companies facing bankruptcy. In other words, we are seeking to create space for greater business turnaround, and the protection of assets.

Modern insolvency legislation is being introduced to encourage viable entities to restart after failure and ensure that entrepreneurs are not stigmatized or regarded as failures. We are therefore, moving towards insolvency legislation that will not only modernize our bankruptcy laws but encourage entrepreneurship, and very importantly, facilitate rehabilitation of entities facing bankruptcy, instead of simply closing them down and appointing a liquidator.

A much more modern insolvency framework will not only make provisions for the rehabilitation or re-organization of the business affairs of debtors, but by its very nature, will serve to address the stigma associated with personal bankruptcy in Jamaica, and to a certain extent, the fear of failure.

Fear of Failure

The fear and stigma of bankruptcy, ladies and gentlemen, has paralyzed many potential Jamaican entrepreneurs, into inaction and failure.

Many of you here today, can appreciate what I am talking about. Rather than starting your own business, some of you prefer the security of a nine-to-five job. We have well-qualified people in this country with brilliant business ideas, and who possess the acumen to be very successful entrepreneurs. Yet, like many other Jamaicans, they prefer the comfort of a regular job, rather than the lifestyle of an entrepreneur. Increasingly, that situation is changing. We are seeing more people starting businesses, and we are seeing a lot of brilliant business ideas coming from Jamaicans in all walks of life.

Modernizing our insolvency legislation will encourage viable businesses to restart after failure and ensure that those, whose failure was honest, are not stigmatized.

Business Registration “Super Form

Critical also to entrepreneurial development, in general, is the time taken to start a business, or register a business name. In introducing the new “super form”, we are seeking to reduce bureaucratic delays and eliminate the frustrations of starting a business. This multi-purpose form eliminates the need to visit multiple agencies to process your Tax Registration Number (TRN), National Insurance Scheme (NIS) number, General Consumption Tax (GCT), and National Housing Trust (NHT) requirements.

The Super Form expedites business start-up. It reduces the number of processes to start a business, from five to just one. It reduces the number of Forms from 13 to one or two, and it saves a significant amount of time, leading to greater levels of efficiency. We are creating an environment that will be based on speed and efficiency, and this is one of the most critical elements in that process.

Additionally, our commercial court system is being strengthened to make it more effective and efficient. This is essential in improving the way we do business. It provides investors and business persons with the means to resolve matters speedily so that they can continue with their operations.

Standards Development

Also critical in putting our enterprises at the centre of economic development, is the need to make sure our businesses are capable of operating at global standards. Some developments in this area include:

- Collaborative Partner status with the US Food and Drug Administration (USFDA), which allows all Jamaican processed food manufacturers to export to the United States and other countries, once accredited by the Bureau of Standards.
- Eight accreditation certificates awarded by the Jamaica National Agency for Accreditation (JANAAC) to local laboratories. This will increase the capacity of our MSMEs to access markets in North America, South America, Europe, and other parts of the world.

Increasingly, our entrepreneurs are recognizing the significance of standardization in maintaining competitiveness and removing technical barriers to trade, and this is a critical part of the whole process of integrating our MSMEs into the global supply chain.

Intellectual Property

The modernization of our intellectual property (IP) framework is also a key driver of Jamaica's economic growth. This is critical in creating more IP products and services, and in building a more vibrant IP industry in Jamaica.

Developments in IP include:

- Promotion of the registration of geographical indications (GI). The Jamaica Jerk Producers' Association has already made an application for GI registration. I would like to encourage other commodity producer associations to register their GIs – for example, rum, coffee, pimento, hemp, to name some.
- Very importantly, we are also seeing increased trade mark registrations by entertainers, record producers and event promoters. This is very encouraging but we want to see this happening in other areas, as well as in terms of patents.

We are encouraging our entrepreneurs to innovate, to be more resourceful. Let's not see small as an impediment. We can and must think big with respect to global competitiveness, and in engaging entrepreneurship through innovation for global growth. Now, is the time for our MSMEs to begin to develop global logistics capabilities.

Innovation and the capacity to innovate are among the most important factors that affect our competitiveness and performance on the global stage. MSMEs due to their small size, limited managerial capabilities, as well as limited resources, do face a challenging task in innovating. But, this is not by any means impossible. Small entrepreneurial firms, according to research are responsible for half of all innovation and 95% of all radical innovation.

Integration into SBDC Small Business Network of the Americas (SBNA)

Currently, the Ministry is leading the initiative to launch a national network of Small Business Development Centres (SBDCs), beginning with the Jamaica Business

Development Corporation (JBDC), to enhance the capacity to provide small business development and advisory services to entrepreneurs and small business clients. This is especially important to ensure that business start-ups and existing enterprises have a fighting chance to be successful, to increase GDP and employment.

The JBDC is expected to gain Small Business Development Centre status by the end of the second quarter of this Financial Year. With the JBDC's assistance, MSMEs will be in a stronger position to tap into export market opportunities, to better manage their client portfolios, and to leverage the research capabilities of the Small Business Network of the Americas.

Restructuring of MSME Finance

Indeed, we are now restructuring aspects of the MSME funding framework, as part of efforts to meet the needs of entrepreneurs. These include:

- Reforming and repositioning our three critical agencies that are engaged in lending and financial advisory services for the MSME sector, namely, MIDA, JBDC and the Self-Start Fund.
- MIDA, is being repositioned to play a critical role in risk and debt management, and to develop and effectively manage a micro-venture financing facility for the MSME sector.
- The JBDC is no longer engaged in lending and will be focused on providing customized financial advisory services to its clients, and;
- The Self-Start Fund will now be offering a new suite of loan products that is customized to meet the needs of the MSME sector.

In addition, we are seeking to provide some \$1 billion in loan financing to the MSME sector.

Ladies and Gentlemen,

All of these developments must be seen in the context of Jamaica's thrust towards becoming a global logistics hub or, in a broader sense, a logistics-centred economy. This logistics-centred economy will include full participation of our MSMEs, who will be involved in various logistics and logistics related activities.

Briefly, the logistics-centred economy involves:

- A more efficient business environment, characterized by the ease and speed of doing business.
- A highly integrated network of people, systems and organizations involved in the research, definition, development and promotion of quality goods, services and processes.
- Forward and backward linkages between the MSME sector and the transnational corporations that will set up their business operations in Jamaica.
- More companies seizing first mover advantage to expand their operations for the influx of international businesses that will participate in the Jamaica Global Logistics Hub initiative.
- Through the Caymanas Special Economic Zone, large-scale investments in specific value added industries, along with the participation of the MSME sector, through a clustered approach. These special economic zones will be centres for industrial and commercial activities, and will facilitate and create new and innovative commercial ventures, led by large multinational corporations.

- The Special Economic Zones will involve the creation of jobs at all levels and in various areas. The Government is committed to creating the environment that will yield high-paying jobs for our workers in the logistics-centred economy,
- And, creating the policy framework of the Logistics Hub initiative to facilitate integration of the MSME sector into the global value and supply chains.

Conclusion

Ladies and gentlemen, the MSME sector is vital for the nation's economic progress and, hence, needs to be carefully nurtured and supported. MSMEs are the best vehicle for inclusive growth in the country, to create local demand and consumption. While creating employment generation activities, they will also form a significant part of the logistics-centred economy.

In moving forward, our MSMEs need to constantly innovate, both in terms of products and processes. Our MSME entrepreneurs must have a wide vision, so that they are able to spot new opportunities for their products or services at all times. With the concerted efforts of all the stakeholders, I am sure that the MSME sector will become more globally competitive and continue to make significant contributions to Jamaica's future economic development.

I congratulate the UTECH team for organizing this interaction. Thanks also to the GEM team for providing us with the most current study on Jamaica.

Table 1

SELECT EXAMPLES OF MAJOR INVENTIONS BY U.S. SMALL FIRMS

Airplane, Audiotape recorder, Heart valve, pacemaker, aerosol can, personal
computer, polaroid camera, air conditioning, helicopter, safety razor

Source: Office of Advocacy of the U.S. Small Business Administration
