

ECORYS STUDY (2006)
SHORT-TERM CONSULTANCY FOR THE PSDP COMPETITIVENESS
COMMITTEE

MAJOR FINDINGS & RECOMMENDATIONS

BACKGROUND

The study was commissioned by the Target Growth Competitiveness Committee in 2006 and undertaken by a team of researchers from the ECORYS Research and Consulting firm, in the Netherlands, over a 5-month period. The study was deemed as critically important and was expected to be used as a launching pad for other key activities to be undertaken by the Committee. Regrettably, the quality of the research and useful insights provided were, for the most part, sub-standard and did not meet the clearly defined research objectives stated in the Terms of Reference (TOR). Table 1 summarizes the performance of the study relative to its contract objectives.

Table 1: Summary Performance of the ECORYS Study Relative to Contract Objectives

| CONTRACT OBJECTIVES (AS PER TORS) | ECORYS REPORT |
|--|--|
| 1. Conduct an assessment of global trends in the commodities and services traded to identify the more dynamic products/services and assess Jamaica's ability to provide the products and services identified and prioritize on the basis of expected macro-economic impact: | Products/services were identified, although a more rigorous analysis would have been more beneficial. Additionally, the sources and time periods of data presented were often omitted. Prioritization on the basis expected macro-economic impact was not presented. |
| 2. Identify sector level export sales targets up to the year 2010 with annual growth projections and identify corresponding National Competitiveness targets (i.e. in the Global Competitiveness Report) | No sector level export sales targets have been identified in this report; nor are there annual growth projections based on data to justify the projections. There was no focus on utilization of capacity and the issue of flexible working hours |
| 3. Conduct an assessment of market access issues, other general export considerations and competitiveness issues in relation to the services and products identified in 2 above and | The assessment required deeper research, primary data and evidence-based analysis. The Committee is not satisfied with the quality of the Assessment. |
| 4. Formulate two (2) sector-specific policy proposals to address competitiveness bottlenecks/constraints | Recommendations were made but could have been further developed. |
| 5. Conduct desk research and interview on local and regional (CSME) laws and regulations impacting competitiveness of select "champion sectors/clusters identified above – including provisions of laws currently before Jamaica's Parliament | Desk research reflected in the Report. |
| 6. Report Headings. Report Headings should mirror the Global Competitiveness Report to include macro-economic review; trade and Investment Regime; Infrastructure; Human Development; Technology Innovation; Company Sophistication; Public Institutions including a reader friendly matrix of legislation (inclusive of new laws) with their expected impact on competitiveness; Competition Policy; Level of Cluster Development; and Export sales targets in 2010. including key assumptions. <i>N.B. Report Headings not exhaustive.</i> | The Consultant's Report does not contain a reader friendly matrix of legislation (inclusive of new laws) with their expected impact on competitiveness. The export sales targets for 2010, including key assumptions, were not provided. |

Notwithstanding the shortcomings of the study, it did proffer some useful findings and recommendations (though not necessarily original), which will be presented in the remainder of this document. They will be categorized by the respective sub-studies that comprise the whole, namely the:

1. Competitiveness Assessment
2. Competitiveness in Agro-Processing
3. Competitiveness in Services
4. Legal and Regulatory Issues and Competitiveness

MAJOR FINDINGS & RECOMMENDATIONS

✚ Competitiveness Assessment

1. *Global Trends in International Trade of Goods*

- The attached Table is the result of an analysis conducted to ascertain the commodity level of growth of imports from Jamaica with the growth of total imports into a number of major markets for Jamaica.
- The Jamaican products are categorized as follows:
 1. **Champions**, (meeting the following characteristics (i) goods for which total imports into the EU, USA and Canada amounted to more than US\$ 500,000 and to more than US\$ 250,000 into CARICOM in 2004, (ii) total import growth has been positive and (iii) import growth of products from Jamaica have grown at a higher rate than total imports, i.e. increasing market share),
 2. **Underachievers** (characteristics: (i) same size characteristics as above, (ii) total import growth positive, but (iii) import growth from Jamaica lower, i.e. declining market share for Jamaican products)
 3. **Declining sectors** ((i) same size characteristics as above, (ii) total import growth and (iii) import growth from Jamaica negative)
 4. **Achievers in adversity** ((i) same size characteristics as above, (ii) total import growth negative, (iii) import growth from Jamaica positive).
 5. **Potential for further growth** ((i) goods for which imports from Jamaica amounted to less than US\$ 500,000 in the case of the EU, USA, Canada and less than US\$ 250,000 in the case of CARICOM in 2004, (ii) total import growth was positive, and (iii) import growth from Jamaica exceeded total import growth). This category represents goods which have not yet achieved a substantial market share, but which have the potential to reach a substantial market share in the coming years.

Recommendations

2. Macroeconomic Issues

- Macroeconomic stability is required in order to lower interest rates and increase funding accessibility
- Stable exchange rates
- Greater transparency and oversight of the financial sector, with a view to increasing competition.
- Strengthening the educational system at all levels
- Tax reform and harmonization
- Overhauling the incentives system and streamline for efficiency

3. Improve regulatory framework

- Simplify regulatory processes surrounding business start-up and operations (for example processes at customs, permits licencing, port costs and property title transfer)
- Enacting the flexi-time Act
- Improved access to credit with the establishment of credit bureaus.

4. Business Support Programme

- Greater facilitation of business in accessing funds
- Support for cluster initiatives

Competitiveness in Agro-Processing

1. Key characteristics of domestic agro-processing SMEs

- Most have developed as “import-substituting” operations with a principal orientation towards domestic markets (exports generally account for 5-20% of total sales).
- Products exported include: liqueurs, beer, rum, soft-drinks, coffee, seasonings, canned ackees, jams and jellies.
- Firms identify high factor and security costs as the main hindrance to competitiveness. Also the increasingly stringent quality standard requirement is listed as a constraint.

2. Tremendous scope for expanding exports for non-traditional agro-based products

- Global trade analysis reveals significant import growth by major trading partners for goods produced in Jamaica

Table 2: Global Trade Analysis 1995-2005

| MAJOR TRADE PARTNERS | AVG % GROWTH IN IMPORTS FOR GOODS PRODUCED BY JAMAICA | IMPORT GROWTH FROM JAMAICA FOR THE SAME GOODS |
|----------------------|---|---|
| EU | 6.7% | 1.1% |
| USA | 7.4% | 5.9% |
| CARICOM* | 7% | 3% |

*Average growth for the last 7 years

Recommendations:

3. Based on the analysis presented in the previous point, ECORYS recommends a "modest" target average growth in the group of agro-based products, in the medium-term, of 7%.
4. Improve the regulatory environment
 - Automation of company registration and a reduction in the fees for the registration of annual returns
 - Simplification of the operating process at Customs
 - Rectify fragmentation among the industry's regulatory bodies and minimize duplication of inspections.
 - Investment in modern testing and laboratory facilities to assist firms in meeting quality standards
5. Capitalize on the growing international demand for Jamaica's products by developing and positioning smaller firms.
6. Reduce factors costs (which tend to relatively high) by:
 - Increased capital utilization
 - Increased number of shifts per day
 - Minimize diversity of products produced by a single firm in order to benefit from greater levels of automation
7. Labour
 - Specialized skilled training required in the sector
 - Improvements in labour legislation required
8. Access to finance needs to be addressed.
9. More support should be given to the farming community to:
 - Improve the local supplies of raw materials (by both RADA and agro-processors)
 - Ensure quality standard certification and environmental responsibility
 - Harmonize health and quality standard inspections
 - Improve marketing and advertising efforts
 - Tax incentives for the implementation of energy-saving techniques

✚ Competitiveness in Services

Tourism

1. Rationalization of the tax and incentive regime.
 - Reducing tax holidays
 - Eliminating customs duties on all capital equipment and operational input
2. Greater levels of transparency in the:
 - Approval process for building hotels. Also, eliminate unnecessary approvals.

- Execution of environmental impact assessment
- 3. Strengthen training for the industry on a cost-sharing basis.
- 4. Further develop tourism's infrastructure
- 5. PSDP should place greater emphasis on supporting cluster initiatives in the tourism sector.

ICT

- 6. Strengthen IT facilities, education and training
- 7. Promote availability of office space for call centres through tax incentives
- 8. Facilitate immigration and work permit procedures for foreign workers in the sector

Creative Industries

- 9. Strengthen music training in schools
- 10. Through private sector development programmes:
 - Assist companies in accessing financial support
 - Support collaboration within the sector

✚ Legal and Regulatory Issues and Competitiveness

- 1. A comprehensive review of the Agro-processing industry
 - Create sector policy to review duplicitous requirements for standards and licencing and also to rationalize and consolidate the ad-hoc pieces of legislation which currently govern the sector.
 - Create a system for financing and retooling of the industry
 - As far as possible, move the industry to a system of self-regulation (with unexpected inspections from international and local inspectors)
 - Substantially increase penalties under key regulations
 - Ensure HACCP (Hazard Analysis and Control Points) and ISO (International Standards Association) compliance
- 2. Increased enforcement of IPR in the Culture (Creative) industry
 - Formalization of the industry through the various associations which represent artistes
 - GOJ should enhance the role of the security forces as it relates to IPR
 - GOJ should incorporate the use of e-commerce as a developmental tool
- 3. Labour Competitiveness
 - Extensive review of the labour laws and remove obsolete pieces of legislation
 - Expedite the implementation of flexible working hours

ANNEX 1

Extract from the ECORYS Report:

**Table 3: Classification of Products at 6-digit HS Level
Exported by Jamaica to the USA, the EU and CARICOM, by
Growth Performance in these Markets**