



*MSME's Role in Supporting the
Diversification of Jamaica's Economy:
Practical Solutions & Opportunities to
Pivot During & After the COVID 19
Pandemic*

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Outline of Deck

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- Diversification and Pivoting

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- Where were we and where are we now

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Definitions

ECONOMIC DIVERSIFICATION AND PIVOTING

Defining Economic Diversification

- ▶ Economic diversification can be defined as the shift towards a more varied structure of domestic production and trade with a view to increasing productivity, creating jobs and providing the base for sustained poverty-reducing growth:
 - ▶ **Domestic production diversification** results from the shift of domestic output across sectors, industries, and firms.
 - ▶ **Trade diversification** occurs in three ways:
 - (a) the export (or import) of new products (goods or services);
 - (b) the export (or import) of existing products to new markets, and
 - (c) the qualitative upgrading of exported (or imported) products.

Defining Pivoting

- ▶ A pivot means fundamentally changing the direction of a business when the current products or services are not meeting the needs of the market. The main goal of a pivot is to help a company improve revenue or survive in the market, but the way you pivot your business can make all the difference.
- ▶ As a result of the COVID 19 Pandemic a number of businesses have been forced to close their doors, scale down its operations or pivot.



The Jamaican Economy Before and During COVID 19

WHERE WE WERE, WHERE WE ARE...

WHERE ARE WE NOW? – The Jamaican Economy

Indicators	FY2019/20	FY2020/21	
	Actual	Pre-COVID (Original Budget)	Post-COVID (3 rd Suppl. Est.)
Nominal GDP (J\$ B)	2,130	2,280	1,948
Debt (J\$ B)	2,012	1,954	2,143
Debt (% of GDP)	94.4	85.7	110

The economy is not expected to recover to pre-COVID levels until FY2023/24 or beyond

Jamaica's Economy has Traditionally been Driven Mainly by the Service Sector

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CONTRIBUTION TO TOTAL GOODS AND SERVICES PRODUCTION, 2016–2020 (PER CENT)

	2016	2017	2018	2019	2020
GOODS PRODUCING INDUSTRY	24.2	23.9	24.7	24.3	25.6
Agriculture, Forestry & Fishing	7.0	6.7	6.9	6.8	7.4
Mining & Quarrying	2.1	2.0	2.6	2.3	2.0
Manufacturing	8.2	8.3	8.2	8.3	8.6
<i>of which: Food, Beverages & Tobacco</i>	4.7	4.8	4.8	4.8	5.0
<i>Other Manufacturing</i>	3.5	3.5	3.4	3.5	3.6
Construction	6.9	6.9	7.0	6.9	7.5
SERVICES INDUSTRY	75.8	76.1	75.3	75.7	74.4
Electricity & Water Supply	3.1	3.1	3.0	3.0	3.1
Transport, Storage & Communication	10.6	10.6	10.5	10.5	10.2
Wholesale & Retail Trade; Repair and Installation of Machinery	16.7	16.7	16.5	16.5	16.7
Finance & Insurance Services	10.6	10.7	10.7	10.9	11.6
Real Estate, Renting & Business Activities	10.3	10.3	10.1	10.1	10.9
Producers of Government Services	12.3	12.2	12.0	11.9	13.1
Hotels and Restaurants	5.6	5.8	5.7	6.0	3.0
Other Services	6.7	6.7	6.7	6.7	5.7



ESTIMATED ECONOMIC OUTPUT OF MSMES as a result of COVID (FY 2020/2021)

GDP FISCAL YEAR END	GDP as at end Fiscal YR 2020 (\$J'mn)	Percent Contribution of MSME by Sector	MSME Dollar Contribution per Sector pre-COVID (\$J'mn)	COVID GDP SHOCK (%)	MSME COVID Shock Dollar Value Result (\$J'mn)	MSME Dollar Fallout (\$J'mn)
Total Value Added at Basic Prices	2,130,103	1,065,052				
Agriculture Forestry & Fishing		1.1%	12,068	25.0%	9,655	-2,414
Mining & Quarrying		0.3%	2,700	21.7%	2,219	-481
Manufacture		8.7%	93,044	21.7%	76,474	-16,569
Electricity & Water Supply		0.1%	614	21.7%	504	-109
Construction		1.9%	19,725	25.0%	15,780	-3,945
Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment		55.7%	592,846	25.0%	474,277	-118,569
Hotels & Restaurants		4.2%	45,068	41.7%	31,813	-13,255
Transport Storage & Communication		3.9%	41,545	25.0%	33,236	-8,309
Finance & Insurance Services		2.3%	24,056	21.7%	19,772	-4,284
Real Estate Renting & Business Activities		18.2%	193,312	21.7%	158,887	-34,426
Producers of Government Services		0.1%	1,569	3.3%	1,518	-51
Other Services		3.6%	38,506	21.7%	31,648	-6,857
				TOTAL	855,783	(209,269)
						-19.7%

By approximating the overall GDP contribution of MSMEs to be 50%, breaking out each sub-sector's contribution to this "MSME GDP," and applying a "COVID shock" to each sub-sector based on its economic resilience to the virus, a significant **19.7%** decline in MSME economic output was determined for the FY 2020/2021.

Lack of Diversity of Jamaica's export basket is one of the main reasons for underperformance of Jamaica's exports

Figure 2.1 Trends in Jamaica's trade (US\$ billion)



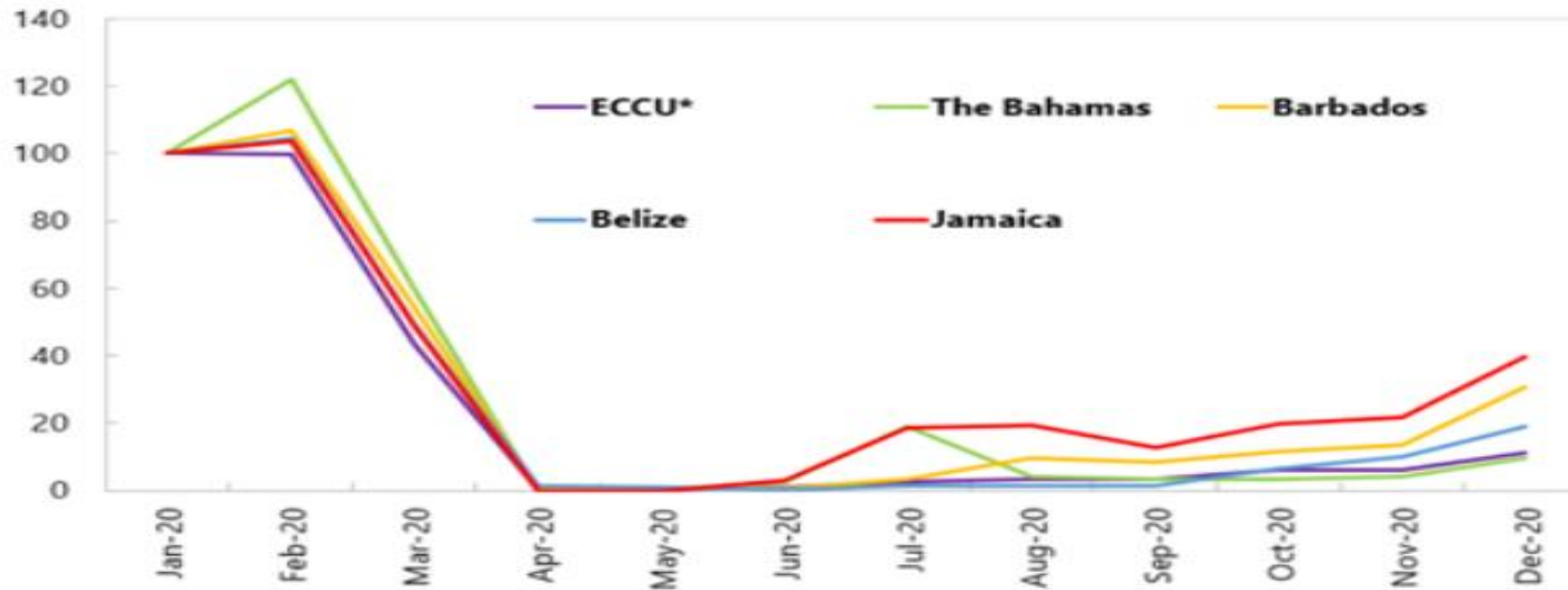
Source: World Integrated Trade Solutions (WITS; World Bank), available at: wits.worldbank.org/

Tourism flat lined as a result of the Pandemic not just in Jamaica but throughout the Caribbean

No show

Tourism collapsed in the Caribbean since the pandemic struck a year ago.

(monthly arrivals, January 2020=100)

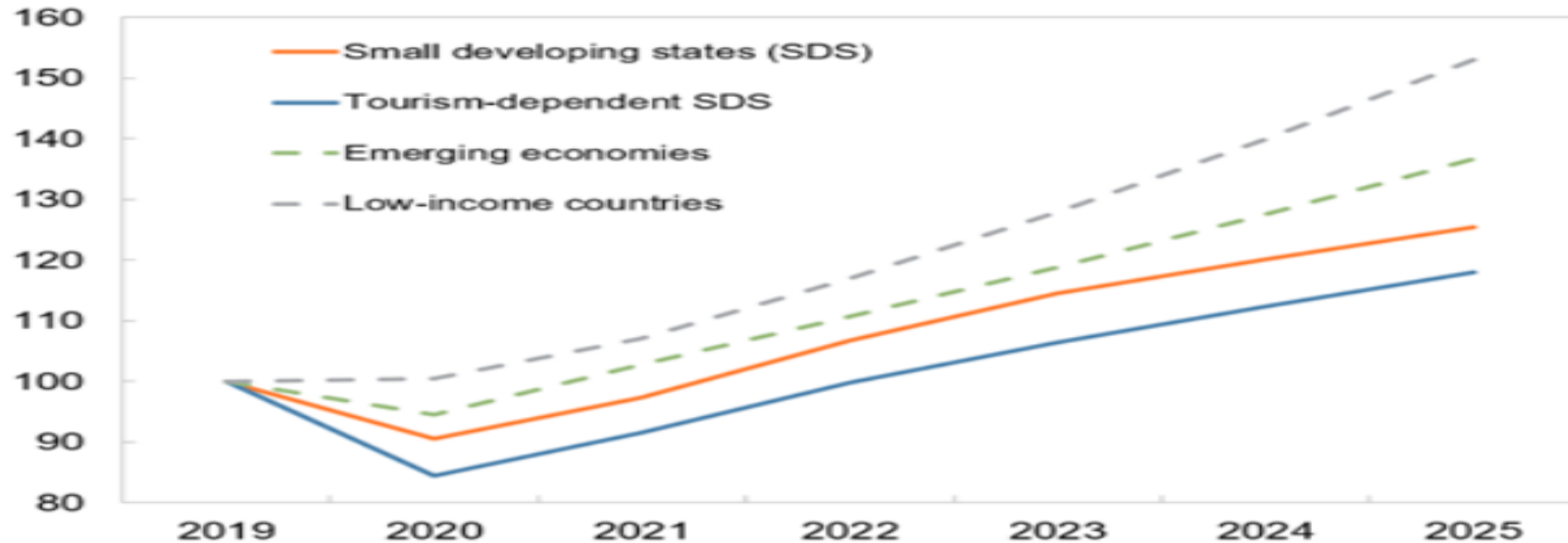


Sources: Caribbean Tourism Organization, ECCB and IMF staff calculations.

*ECCU (Eastern Caribbean Currency Union) includes Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Economies reliant on Tourism was impacted heavily by the COVID 19 Pandemic

A lot of vacancy
Countries more reliant on tourism had worse recessions.
(GDP in US Dollars, 2019=100)



Sources: IMF, World Economic Outlook database and IMF staff calculations.

Support to the Most Vulnerable – “No Man’s Land”

- These include businesses in various sectors such as:
 - Tourism & Hospitality
 - Entertainment
 - Retail
 - Restaurant
 - Agriculture
- Without immediate and extended assistance, businesses will be unable to recover from the economic impacts of COVID-19, as the sectors in which they operate are slated for slow recovery.
- If all cannot survive, how do we design programs to mitigate the fall out and support “winners”?
- Many businesses were profitable before the pandemic and with assistance can return to profitability and viability with their sector’s eventual recovery. **The long term fix is to improve the diversity of the Jamaican Economy.**



The Shape of Diversification

...WHERE ARE WE GOING?

Diversification of Jamaica's economy starts with identifying world growth trends in the long run

✓
Diversify and target specific growth sectors

Global Digital Services.

Agribusiness.

Manufacturing.

✓
Reinforcing areas where we have a comparative advantage and **Pivot** where necessary

Entertainment.

Tourism.

Agriculture.

✓
Reshaping the infrastructure to accommodate diversification into new products and markets

Channel workforce to new areas.

Acceleration of the digital society.

✓
Increasing productivity, making strategic investments and improving access to finance

Re train workforce.

Financial Inclusion.

Implementing more efficient mechanisms and procedures.

Taking an Ecosystem Approach to Advancing & Accelerating Jamaica as a Digital Society:

✓ Supporting Work across SEVEN PILLARS OF THE ECOSYSTEM

SUPPLY

Modernize, Upgrade & Negotiate Viable Solutions to drive ICT Development and Demand.

DEMAND

Align, Integrate, Activate & Coordinate for accelerated levels of ICT Adoption and Utilization.

1. DEVELOPMENT OF INFRASTRUCTURE & EXPANSION OF COVERAGE

- Broadband Initiative
- Spectrum Management
- Data Centre & Cloud
- GovNet
- PKI, public key infrastructure
- NWA, 100-day plan

2. DIGITIZATION & DEVELOPMENT OF SERVICES

- HOPE Program
- Digitization of operations, processes & services
- APIs, protocols for digitalization
- NIDS

3. SOLUTION ORIENTED COMPETITIVE ENVIRONMENT

- Spectrum
- USF
- Telecom providers & operators – Broadcasters, FLOW, DIGICEL, JPS, all Cable & Satellite operators...

4. ACCESS TO DEVICES & UPTAKE OF TECHNOLOGY

- E-learning
- Digital literacy programs
- Targeted support for uptake across sectors, public to private and productive sectors

5. TRANSITION & ENHANCE ICT COMMERCIAL INDUSTRY

- Ecommerce
- Integrate with Start-Up ecosystem
- STEM careers & focus on future of jobs

6. ACCELERATED ADOPTION OF CRITICAL E-SERVICES

- E-Gov
- Integrate with Smart Cities
- E-platforms & drive for local content development

7. LEGAL & REGULATORY:

- Ensure Quality & Affordability
- Focus on Acts & Policies, ICT Authority, Data Protection, Data Sharing, Electronic Transaction, Cyber-Security
- NIDS as critical cross cutting enabler

Taking an Ecosystem Approach to Advancing & Accelerating Jamaica as a Digital Society Cont'd:

- ✓ Paying Critical Attention to PRIORITY AREAS FOR ALIGNMENT & COORDINATION IN THE ECOSYSTEM

PRIORITY AREAS, PRESSURE POINTS in the ECO-SYSTEM:

- Combination of **infrastructural solutions** – across fiber & spectrum – to drive FULL COVERAGE across urban to rural Jamaica
- Development of **viable commercial models**, including arrangements with existing players, to ensure sustainability
- Strong support & institutional framework for **NIDS** as core enabler of digitization
- Alignment of digital training, upgrading and learning programs, alongside focus on access & affordability, to ensure **technology uptake and return on investments in ICT**

Create an Environment of Financial Inclusion to Foster Diversification

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**NATIONAL
FINANCIAL INCLUSION
STRATEGY**
Access for ALL 

Financial
Access and
Usage

Electronic
transaction
instruments

Financial
Resilience

Savings,
insurance, and
retirement
products

Financing for
Growth

MSME,
Agriculture, and
housing finance

Responsible
Finance

Consumer
protection and
financial
capability

Supporting Infrastructure

Empower MSMEs and consumers: Bring the informal economy into the formal

Make Strategic Investments to support Diversification



Orange Economy



Renewable Energy



Business Process Outsourcing



Logistics



Agriculture & Agro processing



Mining



How are we investing in Human Capital for the new economy?



Ultimately true diversification will see fruits in the medium to long term

- ▶ The Jamaican economy must be reshaped structurally to create a level of resilience and create robust economic growth
- ▶ Some institutions may only have one large role to play over the entire recovery period, whereas others may have multiple, equally important responsibilities.
- ▶ It is important to identify exactly the responsibilities of each institution/stakeholder, and the time period over which they can be expected to fulfill their duties.

Conclusion



Diversification is a Must for Robust Growth and Resilience in the Jamaican Economy

1. Improving the diversity of the Jamaican economy reduces the risk of deep downturn in the moments of crisis

2. Investing in Human capital is necessary as we look to diversify the economy

4. Improvement in our digital infrastructure will help in fostering the diversification of the economy



5. Financial Inclusion is a key ingredient in empowering MSMEs in the thrust for diversification

3. MSMEs formalization is also a key driver to diversification

Q & A

