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**Government Guarantee of a Grant of € 20.0 Million funded by the European Union (EC) through the 9th EDF resources to JAMPRO to implement the Private Sector Development Programme**

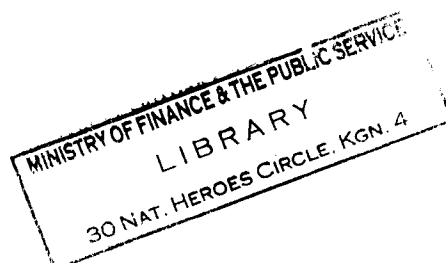
**Issue**

1. The Honourable House of Representatives is invited to consider the request for the granting of a Government Guarantee of a Grant of € 20.0 Million funded by the European Union (EC) through the 9th EDF resources to JAMPRO to implement the Private Sector Development Programme.

**Background**

**Country**

2. Since the early 1990s, Jamaica has followed a program of economic liberalisation and macroeconomic stabilization by removing exchange controls, floating the exchange rate and stabilizing the currency, reducing inflation, cutting tariffs, and eliminating restrictions on foreign investment. Over the last decade, divestment programmes have resulted in a large proportion of economic activities that were owned by the government to be owned today by the private sector.
3. The private sector is therefore considered the most effective engine for growth and development of business activities. It is expected that growth in Jamaica in the coming years will have to be largely export-led. To realise such export-led growth requires improving the competitiveness of the private sector, involving cost reductions and investments in restructuring in favour of more competitive activities



## ***Project***

4. Financing Agreement No. 9110/JM for the **Private Sector Development Programme (PSDP)** was signed and entered into force on 12th March 2004. The objective is to strengthen the private sector through enhancing the competitiveness of micro, small and medium size Jamaican enterprises (MSMEs), through strengthening of their support and representative organisations.
5. Special efforts are being made to improve local enterprises access to capital for investment purposes. The total project cost is estimated at € 28.7 Million, of which € 20.0 Million will be funded by the EC, through the 9th EDF resources, and the remaining by beneficiaries of the Programme as well as other organizations in the case of Mutual Guarantee Companies.
6. A condition for the execution of the Grant is the establishment of mobilization guarantee in favour of the European Union. This is a new requirement for all African, Caribbean and Pacific countries receiving grants from the EU under the ninth European Development Fund.
7. The programme supports activities in 3 major areas. The first component, addressing the macro and meso level of intervention, seeks to strengthen the role of intermediary organisations, most notably in the private sector (PSO) in the local economic environment in view of enhancing general country competitiveness. The second component, addressing the micro level of intervention, aims at strengthening enterprise competitiveness through the development of an effective system of non financial services (Business Development Services – BDS), both on an individual and group basis, even through the setting up of a cost-sharing scheme. The third component, again at the micro level, aims at creating the conditions for easing access to corporate finance. Some short-term Technical Assistance (TA), both international and national, is also foreseen to advice the managing organisation and other implementing bodies, as well as to help in project implementation.

Implementation of the project was foreseen to end by December 2007; however a rider to the Financing Agreement has extended the programme to December 2009.

8. These interventions have in many instances started to accrue tangible benefits to the beneficiaries such as new sales orders, increase in membership of PSOs, increased productivity, and quality management improvements of company operations.

The overall implementation approach for the Programme is the **Cluster Approach**. This approach will ensure greater impact at the firm (micro), support organizations and institutions (meso) and national (macro) levels and facilitate greater levels of sustainability.

9. JTI/ JAMPRO, a public, effective organisation engaged in private sector development activities, will be entrusted with the day-to-day management of the programme, under the supervision of a Steering Committee, on the basis of a specific service contract. In this role, JAMPRO will assume an administrative and financial role and co-ordinate the programme's implementation. Implementation of the programme's activities will be carried by the Private Sector Organisations (PSOs), which include supporting institutions.

## **Beneficiaries**

10. The main beneficiaries of the programme are private sector organisations and in most cases Government is performing the role of facilitator. The programme also addresses a number of institutional development and capacity building initiatives for the private sector organisations (PSOs) involved and for the support organisations to PSOs.
11. It is expected that the benefits of the PSDP will also result in social development gains and will contribute to overall improvements in the standard of living. The trend towards adoption of international standards in local production processes

will also result in beneficial effects for the environment through improved adherence to environmental standards, notwithstanding increased production.

### **Recommendation**

1. The Honourable House of Representatives is accordingly asked to approve:
  - a) the granting of a Government Guarantee of a Grant of € 20.0 Million funded by the European Union (EC) through the 9th EDF resources to JTI/JAMPRO to implement the Private Sector Development Programme
  - b) The moving of the appropriate Resolution of the House of Representatives



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