

MINISTRY PAPER 39/20

THE NATIONAL FIVE YEAR MANUFACTURING GROWTH STRATEGY FOR JAMAICA

1.0 Purpose

- 1.1 The matter for tabling in the Houses of Parliament is the National Five Year Manufacturing Growth Strategy for Jamaica (2020 to 2025). The Strategy is being tabled in accordance with approval given in Cabinet Decision No. 34/20 dated July 6, 2020.

2.0 Background

- 2.1 Globally, manufacturing accounts for approximately 16% of GDP¹. In Jamaica, the manufacturing sector peaked in 1980, contributing 27.3% of GDP but then went through a period of steady decline owing mainly to rising operational costs and low international competitiveness. The sector has since stabilized over the past five (5) years at approximately 8.5% of GDP and contributes approximately 6.5% of employment.² The marginal rate of growth is attributed to factors that include: persistent low levels of efficiency and competitiveness, low workforce productivity, market access issues, as well as the inability to keep pace with rapid innovations within the global market. A prescription to support manufacturers is especially critical at this time due to the COVID-19 global pandemic of 2020 and the resulting economic fallout that have served to compound these issues. Business practices and product development are evolving in the face of changing consumption patterns. Therefore, strategies that seek to foster a more resilient manufacturing industry are being given greater attention.
- 2.2 Despite the challenges, Jamaica's manufacturing sector remains the largest of all the goods-producing sectors; and its major contribution to the economy in terms of job creation, capital investment and linkages to the services sectors, is well established. There is, therefore, significant potential for the manufacturing sector to continue as an important pillar of and contributor to advanced economic growth and development. In light of the foregoing, it is imperative that the business environment be enhanced to foster the creation of internationally competitive industry structures and particularly, sustainably high levels of growth in manufacturing.
- 2.3 The development of a Five Year Manufacturing Growth Strategy was undertaken jointly by the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA), the Jamaica Manufacturers and Exporters Association (JMEA), and the Jamaica Promotions Corporation (JAMPRO).

3.0 The Strategy

- 3.1 The Manufacturing Strategy presents a set of strategic initiative to increase the contribution of the manufacturing sector to GDP over a five (5) year period. A target of **J\$81 billion** in manufacturing output by 2025 has been established, up from output of approximately J\$66 billion in 2018. This translates to an approximate annual average growth rate of 3% p.a. over the five year period.
- 3.2 The overarching objectives of the Manufacturing Strategy are to:

- (i) improve the business environment necessary to grow and expand Jamaica's manufacturing sector; and

¹ Data source: World Bank National Accounts Data. Retrieved from www.worldbank.org

² Data source: PIOJ- Economic and Social Survey of Jamaica 2018

(ii) increase the sector's contribution to the country's economic development through coordinated efforts in implementing agreed initiatives across the public sector.

3.3 Based on assessment of Jamaica's competitive advantage and ability to create niche products, as well as stakeholder consultations, six (6) target areas have been identified for focus and these have been classified into three (3) groups:

- Agro-processing
- Light Manufacturing (including furniture, cosmetics and packaging)
- Pharmaceuticals

3.4 The strategies developed to grow the sector are complementary to other key initiatives being rolled out by the Government as part of the Vision 2030 Development Plan. Implementation of the Manufacturing Strategy will add to the drive to ensure that the targets set in Vision 2030 regarding manufacturing are met. The key strategies proposed are as follows:

- 1) **Enhance Workforce Productivity** (develop a core training curriculum for manufacturing and expand the STEM Programme).
- 2) **Improve Cost Competitiveness** including access to finance (provide cost-competitive/innovative financing options; further refine the fiscal incentives structure and reduce production costs).
- 3) **Expand Infrastructure** (provision of suitable factory space and addressing transportation logistics challenges).
- 4) **Facilitate Market Expansion** (establish accountability frameworks for the Government Set-Aside Policy, promote and maintain local suppliers' directory and diversify the Brand Jamaica product offering).
- 5) **Incorporate Innovation Strategies** (establish a network of innovators to give priority attention to a comprehensive intellectual property framework).

3.5 The private sector will also play a significant role in the expansion of the industry with specific responsibilities including:

- 1) **Supporting the design and execution of capacity building programmes** - promoting and encouraging training programmes within the manufacturing industry;
- 2) **Cluster development** - to develop and manage clusters as a model for growth; execution of strategic partnerships - to partner with key government agencies to drive skills development, competitive financing and factory space allocation for the industry;
- 3) **Development and promotion of industry competitiveness** – utilizing avenues such as greater application of efficient and modern technologies; and
- 4) **Improving market access and penetration** - to promote and conduct industrial trade shows and inward missions as well as gather market intelligence data to increase local and international sales of Jamaican goods.

3.6 The expected outcomes of the Five Year Manufacturing Growth Strategy includes:

- i) Increased jobs in the manufacturing industry;
- ii) Increased foreign and local direct investment in the manufacturing industry comprising new and expanded businesses;
- iii) Increased attractiveness of Jamaica as a location for manufacturing as evidenced through key global location reports;
- iv) Increased income to the Government of Jamaica through tax payments;

- v) Increased ability for local manufacturers to supply products into the domestic market thereby reducing the level of the country's imports; and
- vi) Increased export sales of manufactured goods thereby increasing the level of foreign exchange earnings for the country.

4.0 Human Resource Considerations

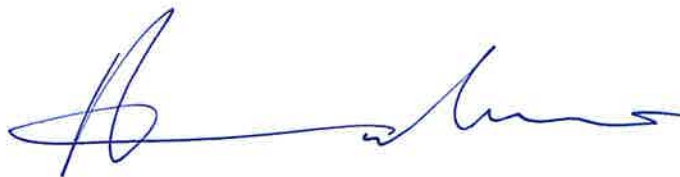
- 4.1 The Ministry of Industry, Commerce, Agriculture and Fisheries will lead in coordinating the activities to ensure timely implementation of the Manufacturing Strategy. Notwithstanding, other relevant Ministries, Departments, and Agencies (MDAs) are directly responsible for specific areas of support as outlined in the Strategy.

5.0 Implementation

- 5.1 An inter-ministerial Committee will be established to oversee implementation of the Strategy. In addition, a Manufacturing Strategy Coordinator will be appointed to coordinate implementation activities and drive the process. The Coordinator will report directly to the Committee.
- 5.2 Implementation of the Strategy will be assessed on an ongoing basis and will be subject to review in 2.5 years to systematically address emerging issues and track the impact of the relevant interventions.

6.0 Request to Parliament

- 6.1 The Ministry Paper is being tabled in the Houses of Parliament in keeping with Cabinet Decision No. 34/20 dated 6th July, 2020 approving the tabling of the National Five Year Manufacturing Strategy for Jamaica, 2020-2025.



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Minister of Industry, Commerce, Agriculture and Fisheries

July 23, 2020