



The Commonwealth

Trade Express

Strategies for Success

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Jamaica's National Export Strategy 2015–2019: A Market-Driven Approach

Introduction

The Commonwealth Secretariat's Trade Division provided support to the National Export Strategy (NES) Secretariat to design Jamaica's second NES. The design process took place over a nine-month period, in which key stakeholders across the public and private sectors, academia, donor community and civil society engaged in a participatory process to define the country's priorities for export growth. The new NES was launched in August 2015 in Kingston, Jamaica. The key goal of the strategy is to position the country for a 'market-driven approach to export development.' The prioritised sectors under the NES 2015-2019 are agriculture and agro-processing (including nutraceuticals), mining, film and animation, information technology enabled services and manufacturing. Additionally, five cross-cutting or functional strategies have been identified to support the development of an enabling environment for export. These include a focus on lowering the transaction cost of trading across borders, improving standards and quality management, whilst enhancing supply capacity.

Prevailing situation

The Jamaican economy is the second largest in the Caribbean Community (CARICOM) trading bloc and is highly open in contrast to its Caribbean neighbours. Jamaica regards itself as a trading nation with good prospects to increase its current levels of exports to the world. Yet for decades the country has under-performed in expanding export volumes, recently losing a key market share in the USA, traditionally its largest market, and has struggled to capitalise on its potentially strong trading presence in the Caribbean region.

Jamaica has a high debt-to-GDP ratio of about 140 per cent, with the attendant debt servicing costs consuming close to 30 per cent of the government's annual budget, thereby undermining attempts to invest in critical infrastructure and the social programmes required to drive growth. The squeeze on its budget led the Government of Jamaica (GoJ) to negotiate and sign a new IMF agreement in May 2013 to gain access to approximately US\$1 billion in additional funds.

Donor support has enabled the GoJ to pursue its Growth Agenda, a medium-term economic programme to put the economy on an export-oriented growth trajectory. Key initiatives include the National Linkages Strategy, which aims to create sustainable trading linkages between larger companies and small and medium enterprises (SMEs), particularly in traditional sectors such as tourism and agriculture and the Logistics Hub Initiative to capitalise on trade and business opportunities from the expansion of the Panama Canal.



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'Jamaica aims to be highly competitive with a reputation for quality, good value and authentic products and services that respond to the priorities of the global marketplace'

Jamaica's first National Export Strategy (2010–2013), designed in 2009, had mixed results. Whilst a number of critical interventions were undertaken, the headline news was of a stagnating export sector and an economy grinding in recession. Over the period, exports contribution to GDP increased by only 14 per cent, as against the NES objective of a 33 per cent rise. A few sectors performed well despite the global slowdown as in the case of non-traditional exports, which increased by 38.3 per cent between 2010 and 2012. However such achievements were largely lost in the overall poor performance of goods exports, particularly traditional exports.

On reflection, the timing of Jamaica's first NES was not opportune. It followed the Global Financial Crisis of 2007–2008 and the subsequent sovereign debt crisis of 2009, which had major consequences for the slowdown in global growth over 2008–2013 and remains problematic in the Eurozone countries today. Yet, this challenge is not the defining reason why the first NES underperformed – a wide range of developing countries in the region that were also affected by the global slowdown have rebounded since or are showing signs of increased export growth. Rather, disparities in the structure of the economy and regulatory burden have undermined efficiency and discouraged the level of private sector investment essential for innovation and increased productivity.

Jamaica's Growth Agenda has led to some improvements as inflation is at its lowest level for 50 years driven by prudent monetary policy and lower global oil prices. Jamaica has also started to perform well on various competitiveness indices such as the International Finance Corporation's (IFC) Ease of Doing Business Report 2015 in which it was the most improved country in the Caribbean and Latin America region rising from a ranking of 85 out of 189 countries in 2014 to 58 out of 189 countries in 2015. IMF economic growth forecasts for Jamaica for 2015 and 2016 are 1.7 per cent and 2.2 per cent, respectively, predicated on current progress under the Growth Agenda. The

GoJ and key stakeholders believe that the NES 2015–2019 will be paramount to realising these projected trends.

National export strategy 2015 – 2019

On 25 April 2014 one of the key accountable agencies for the NES, the Jamaica Promotions Corporation (JAMPRO), requested support from the Commonwealth Secretariat to support the development of Jamaica's second NES. The initial diagnostics and strategy development stage of the NES design, which utilised a stakeholder participatory methodology, identified lessons learned from the first NES design process and concluded that a market-driven approach to the new NES design was critical. The diagnostic phase of the project highlighted Jamaica's need to concentrate on developing its key drivers of competitive advantage, particularly giving importers in the global market place what they want and need, rather than what Jamaica's traditional exporters think the market place wants. A focus on market intelligence to identify new priority products and services is essential to this process, as are other cross cutting issues identified under the NES 2015–2019 such as standards and quality management, logistics and supply chain management.

Mainstreaming gender into the design of the NES 2015–2019 has been an important factor in supporting the inclusiveness and sustainability of the export sector. Mapping the value chain of the prioritised sectors under the NES is critical to understanding where gender differences prevail, in order to design interventions at the sector level which can augment capacities of typically disadvantaged women.

There are two critical questions that the NES 2015–2019 seeks to answer: 'What structures, services and support do exporters need in order to be competitive?' and 'How can government address these needs and create an environment that will support the export competitiveness vision?' Admittedly, competitiveness arises at the level of the enterprise, but there is equal importance in the enabling environment including the quality of institutions that encourage the growth of those enterprises. The NES 2015–2019 design methodology identifies prioritised export sectors from the country's perspective and aligns the requirements of these sectors with a range of cross-cutting issues or areas (i.e., not sector specific, but linked to the overall enabling environment) that are recognised as critical to the expansion of trade.

A market-driven approach to export development

Focus on the market-driven approach adopted by NES 2015–2019 has necessitated critical analysis of the competitive advantage of firms to produce goods and services in the prioritised sectors. The aim is to identify the drivers of competitiveness and augment these to increase export market share, encourage firm innovation and invest in human resource development and capital formation, which supports increased labour productivity. This is not to imply that supply-side considerations are not important, but to point out that over-emphasising supply-side constraints could push Jamaica further down the road of producing more of its current export offerings rather than reorienting towards its intensive and extensive patterns of trade. An additional element taken in this market-driven approach is an emphasis on distribution channels reflective of the fast paced global market. Distribution channels play a dominant role in expanding the quantity and quality of exports and increase the participation of firms in global value chains (GVCs). This is particularly relevant to the information technology enabled services (ITES) sector but is also highly relevant to the fast movement of goods through e-commerce platforms.

NES 2015–2019 provides an institutional framework in which well-articulated interventions that support export competitiveness are brought together in a targeted and prioritised way. The overarching objective of NES 2015–2019 is to achieve increased global competitiveness and enhanced export performance. In many cases the source of that competitiveness lies in improvement in labour productivity, capital efficiency and the economy's ability to move output to high productivity activities, which also generates higher levels of real wages.

Objectives of the NES approach

One of the overarching goals of the NES 2015–2019 is to grow exports at an average of 15 per cent per annum to bring export levels (dollar value) to the pre-recession level of 2008–2009 (i.e., US\$5.2 billion). In addition, the five prioritised sectors have defined their own objectives; for example, the light manufacturing sector envisages growth of 25 per cent over the strategy period.

Three critical challenges to the Jamaican economy, which will be addressed through the implementation of the Strategic Action Plan are:

- A poorly diversified economy undermining growth of the export sector;
- A lack of absorptive capacity for locally produced goods exacerbated by a relatively small domestic market; and,
- A declining balance of payments that has impacted on foreign exchange reserves and contributed to high government debt.

The NES Secretariat will determine whether the Strategic Action Plan objectives have been met by utilising the monitoring and evaluation (M&E) framework which is a crucial tool to provide regular feedback on implementation. The symbiotic relationship between the NES Secretariat and the highest oversight body for the M&E structure, the NES Project Advisory Committee chaired by the Minister of Industry, Investment and Commerce (MIIC) is essential to ensuring implementation of the strategy stays on track.

Niche markets – Jamaica embraces the development of a competitive global nutraceutical industry

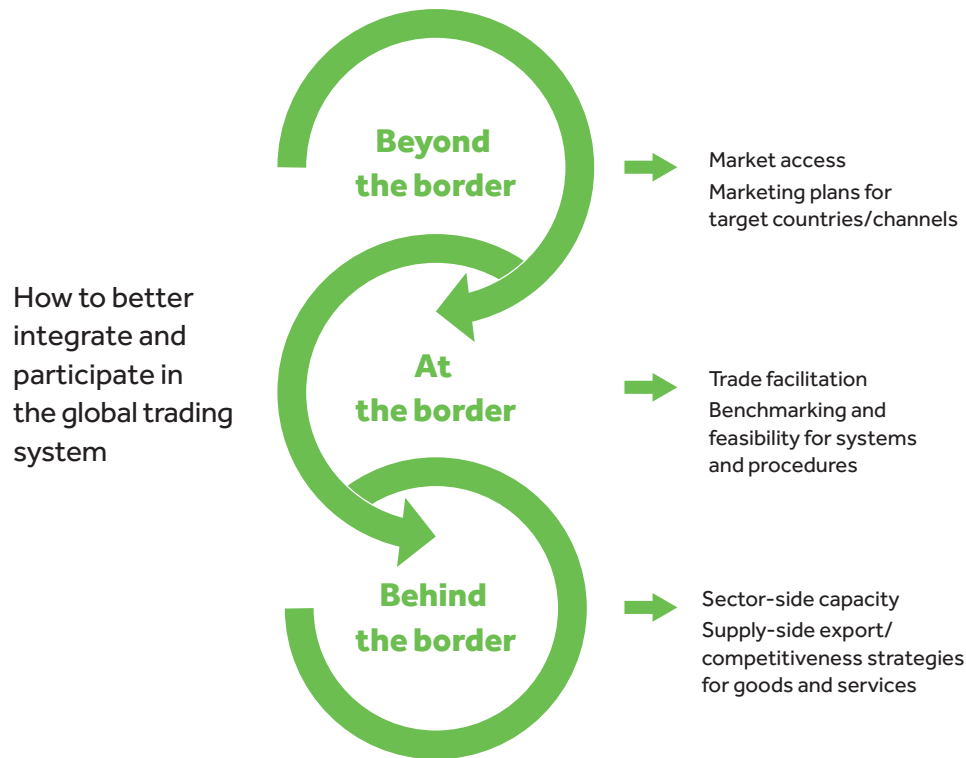
The global nutraceutical industry has reached unprecedented heights in a relatively short period. This global industry is projected to expand to US\$250 billion by 2018, according to Global Industry Analysis Inc (www.strategyr.com); up from US\$75.5 billion in 2006. This represents a significant growth pattern and a good opportunity for Jamaica, which has an emerging nutraceutical industry that has been identified as a potential high-value, high-growth export sub-sector and has been included for prioritisation under the National Export Strategy. The Government of Jamaica officially endorsed the industry in 2012, recognising the value of the unique fauna, flora and agricultural products in the country. Jamaica has an established tradition in herbal/folk medicine, which forms a backdrop to this emerging industry.

Nutraceuticals is a broad marketing term used to define 'functional foods and beverages' that are thought to provide health and wellbeing benefits such as improved absorption of nutrients, performance of the body, improved stamina and the relief of ailments. Nutraceuticals are typically processed from agricultural products, roots, plants and herbs, which are transformed into foods, beverages and supplements. A recent study undertaken by the Jamaican Bio Tech Research and Development Institute identified that of the 160 established medicinal plants in the world, Jamaica is home to over 80 of these plants, most of which are indigenous.

One of the crucial drivers of the nutraceuticals industry is an increasingly global health concern, particularly in the food industry with regards to what constitutes good health, good nutrition, responsibility and ethics with respect to the production and marketing of food. Much of these concerns oscillate around the escalation of childhood and adult obesity in many countries, leading to lifelong medical considerations which correlates with soaring health care costs - a prime concern to many governments. However, there are also associated concerns about the social and economic cost of obesity or general poor health on productivity and full participation in society.

As part of the NES design process, the NES Secretariat was supported to help stakeholders map the nutraceuticals value chain. Robust analysis of the sub-sector was undertaken to identify the key elements/players within the value chain, conduct a market assessment of key products in the nutraceutical industry, and identify global high value markets (e.g. USA, Japan, Germany, France) that the industry could target for export. Compliance with legal agreements, provisions and codes were also considered; for example, Codex Alimentarius (collection of internationally recognised standards, codes of practice relating to foods and food safety) and obligations under the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement). The analysis revealed that in a number of important markets (including regionally), nutraceutical imports are governed under health and food safety laws (often more stringent) with which exporters would be required to comply. The last stage of the analysis was to define the nutraceutical action plan that is now being utilised to guide the development of this important sub-sector.

Figure 1. A critical component of the NES design approach



Design of the NES

The NES 2015–2019 was designed by the Commonwealth Secretariat in partnership with the NES Secretariat (JAMPRO, Jamaica Exporters Association and Trade Board Limited), the MIIIC and the Ministry of Foreign Affairs and Foreign Trade. These institutions form part of the Trade Support Network and are responsible for developing the export sector and fostering international competitiveness as a vehicle for sustainable development.

The methodology utilised in the design of the NES is the Commonwealth Secretariat's 5-Step Process (Njoroge 2010),¹ which supports a locally driven method and distils information from 'at the border (facilitation issues), beyond the border (demand issues), behind the border (supply side issues)' assessments of constraints to export development (Figure 1). The Secretariat's 5-Step Process entails:

Step 1 – Establish stakeholder commitment

Step 2 – Prepare the case

Step 3 – Scope national resources

Step 4 – Seek technical assistance

Step 5 – From project launch to strategy completion

Further background on the approach to NES design can be found in the Commonwealth Secretariat publication, *'Implementing a National Export Strategy'*. Significant work is undertaken at Step 5 of the process, where design of the strategy takes place with national sector teams undertaking or supporting analysis, which feeds into the final strategic document and action plan.

Outcome of the Commonwealth Secretariat intervention

Jamaica's wide stakeholder consultative process resulted in the validation of five prioritised sectors, one sub-sector and five cross-cutting issues that would receive support through implementation of the Strategic Action Plan over a four-year period (2015–2019). These are:

Priority sectors

- Agro-processing /agro-business (including nutraceuticals²)
- Mining
- Film and animation
- Information technology enabled services (ITES)
- Light manufacturing

Cross-cutting Issues

- Logistics and supply chain management
- Market access and trade information
- Export financing
- Standards and quality management (including packaging and labelling)
- Capacity-building

Jamaican stakeholders have agreed high-level targets for each prioritised sector. The M&E framework has further distilled these targets into initiatives that will be tracked to measure changes in the sector over the NES implementation period. Importantly the NES 2015-2019 is aligned to Vision 2030 Jamaica (the national development plan) to ensure policy coherence and accountability at the highest level of government and stakeholder buy-in across the private sector and civil society.

Lessons learned from the design and implementation of Jamaica's first NES support the current focus on a smaller number of initiatives, strengthening institutional capacity for implementation by ensuring human capacity and financial resources are in place and ready to be deployed, and the creation of a robust monitoring and evaluation framework. This supports continuous stakeholder engagement; early identification of bottlenecks and empowers lead agencies to take corrective action (where necessary) as they undertake their respective implementation roles.

Lessons learned

The Commonwealth Secretariat has successfully undertaken a number of NES projects aimed at improving export competitiveness of member countries including Tonga, Botswana, Tanzania and Sierra Leone. Recommendations to improve outcomes and strengthen implementation processes were based on evaluations of these projects and the review of the first Jamaica NES (2010-2013). Some of these recommendations are:

1. **Identify resources** for implementation of interventions during the design phase, particularly for the first 6–12 months of putting the Strategic Action Plan into operation, in order to create momentum for the strategy.
2. Support **country ownership** by ensuring that stakeholder consultation is highly participatory, extensive and captures as many of the emerging concerns for the chosen sectors as possible.

3. Institutionalise initiatives and **strengthen accountability** by ensuring that action points are embedded within corporate plans of the implementing agencies and that agency Focal Points are identified to play their role in the M&E process.
4. **Measurable targets** with well-articulated indicators are required in order to determine when a goal has been attained. Hence the Strategic Action Plan must be defined in sufficient granular detail to enable accountable implementing agencies to effectively co-ordinate, undertake and track interventions.
5. Ensure the length and **complexity of the strategic document** itself³ is appropriate to the national context and recognises national institutional capacity constraints.

The design of Jamaica's second NES 2015–2019 took these challenges and lessons into account through undertaking wide stakeholder consultation and engagement across the private sector, civil society and government. The strategy was conceptualised to strengthen implementation capacity in Jamaica and establishes mechanisms for co-ordination, effective communication and reporting.

Six months into implementation of the Strategic Action Plan, momentum appears to have been created. The challenge now is for the NES partners to use that traction as a platform to further build national commitment and engagement. Through such efforts, Jamaica will have a chance to significantly expand its export base and succeed in its vision of 'a leading per capita export country known for its commitment to creativity, innovation and exceptional quality.'⁴

Endnotes

- 1 Njoroge, I. 2010. Implementing a National Export Strategy. Lessons from the Commonwealth, No. 1. Commonwealth Secretariat: London.
- 2 The nutraceuticals is a broad umbrella term that is used to describe products derived from foods with a focus on preventative health benefits. Its three main components are functional foods, dietary supplements and herbal/natural products.
- 3 An independent regional stakeholder and a regional development/donor institution confirmed this view.
- 4 NES 2015 – 2019, June 2015, MIIC, JAMPRO, Commonwealth Secretariat

Trade Competitiveness Section: Work programme for 2015/16

The Commonwealth Secretariat's Trade Competitiveness Section (TCS) of the Trade Division provides technical assistance (TA) to help member countries improve their supply capacities in order to exploit opportunities offered by international trade. Recognising the limited size of the domestic market in many member countries, TCS has a strong focus on export development, with interventions targeted at the national level, and where requested, escalated to the regional and international level. Capacity-building and knowledge sharing is a cross-cutting feature of the activities in TCS.

TCS's specific activities include:

1. **Market access** – Interventions in this area of work aim to secure sustainable market access for priority exports and addressing selected supply side constraints through the development of strategic marketing plans.
2. **Export development strategies** – This project supports member countries to design and implement strategic plans for trade competitiveness and export development, underpinned by mechanisms for effective dialogue with government and non-state actors.
3. **Enhancing the development and exports of services** – The services sector is a major contributor to employment in many member countries, especially youth and female employment. Exports of services can provide opportunities to create employment, diversify exports, enhance productivity and empower low skill workers. This area of work allows member governments to benefit from the new opportunities created by globalisation and trade liberalisation. Through this initiative, member countries are supported to identify local sectors with potential for increased investment and export development, and to devise strategies to effectively exploit them.
4. **Trade facilitation** – Trade relies on the services of a large number of agencies and service providers. Trade facilitation encompasses the process of identifying and addressing bottlenecks imposed by the weakness in trade related logistics and regulatory regimes that prevent the timely, cost-effective movement of goods. To deliver this short-term outcome, interventions focus on assisting member countries to reduce the costs of doing business and, as signatories to the WTO, to meet their international obligations in this area. Interventions are made through the development of strategic action plans, benchmark studies and reports, and capacity-building in trade facilitation.

For 2015/16, TCS will be providing TA to 17 countries with 22 projects. These countries include Barbados, Belize, Grenada, India, Jamaica, Kenya, Mauritius, Nigeria, Pakistan, Sri Lanka, Botswana, Sierra Leone, and Mozambique. TA will be provided in the areas such as export diversification through 'new product and new market schemes'; value-addition to existing primary exports; economic and legal analyses of regional FTAs; economic implications of plurilateral trade agreements like Trade in Services Agreements (TiSA); designing national export development strategies; designing national strategy for Aid for Trade; development of services exports; linking into regional/global value chains; trade facilitation; and gender sensitisation of trade policy. Some of the requesting member countries have also offered to share financial costs of the projects. In some cases TCS is partnering with other organisations for sharing costs.

Trade Express will share information and lessons learned from recent Commonwealth Secretariat interventions. Articles will discuss design and implementation processes; in particular, practical solutions for the perennial problems surrounding appropriate trade policy design, advocacy and strategic trade interventions.

Forthcoming issues

Issue 3: Kenya Poised to Adopt International Transportation System

The geographical location of Kenya, combined with the status of Mombasa as a key transit port for neighbouring economies, particularly EAC Member States, underlines the rationale for ratifying and implementing the TIR Convention. Both the Northern Corridor and the planned LAPSSET Corridor, fed by an enhanced Lamu Port, would derive significant benefit from a transit regime streamlined within a TIR environment.

Issue 4: India's Global Value Chains: Integrating LDCs

In order to raise the value captured by India in global value chains (GVCs) and support its 'Make in India' initiative, the intervention is designed to identify India's lead products where it can initiate its own GVCs and upgrade its small and medium sized firms. Integrating LDCs into these chains will enhance global cost competitiveness of India's product and diversify exports of LDCs.

Previous issue



Issue 1: Revitalising the Services Sector in Barbados

The Trade Division provided support to the Government of Barbados to revitalise the services sector in the country through the development of a National Services Sector Development Plan (NSSD). The NSSD was a Government initiative co-ordinated by the Barbados Coalition of Services Industries (BCSI). It identified critical capacity gaps and made recommendations to valorise services, create a competitive environment and ensure the provision of the human resources required to deliver high value services.

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