

PROJECT SUMMARY

PROMOTING ACCESS TO EQUITY FINANCING TO SMES THROUGH JAMAICA STOCK EXCHANGE'S JUNIOR MARKET

(JA-M1029)

The project seeks to increase access to equity financing for small and medium enterprises (SMEs) in Jamaica through improving the framework of the Jamaica Stock Exchange's (JSE) Junior Market, and providing SMEs with capacity-building so that they can meet the requirements for listing on the Junior Market.

MIF experience has shown firsthand how important equity is at the start-up and growth phases for SMEs. For growing companies in particular, a balanced debt-capital ratio is key. However, venture capital/private equity money is not always readily available, although the industry in Latin America and the Caribbean (LAC) has been developing. Therefore, the project seeks to validate a "junior market" model –a type of stock exchange specifically designed for the needs of smaller enterprises, based on the premise that a simplified regulatory framework allows these enterprises to access growth capital.

To a certain extent, the existing Junior Market in Jamaica has already proven to be a useful mechanism for businesses to access equity financing to expand their operations. However, the project will analyze the current framework of the Junior Market and introduce necessary adjustments in view of lessons and best practices from various parts of the world, so that the market's functionality will be consistent with the needs of Jamaican SMEs. Additionally, the project will provide capacity-building for prospective SMEs so that they can comply with Junior Market requirements and implement the necessary steps to list, especially with respect to corporate governance. There will also be activities to strengthen Junior Market mentors and brokers so that they are better equipped to handle the various requirements for smaller enterprises that are listing.

Direct project beneficiaries will include SMEs that want to increase their equity base for further expanding their businesses. It is expected that by the end of the project execution period 47 companies, including the existing 22, will be listed on the Junior Market. As these businesses grow, they will be generating higher profits and hiring more employees. In that sense, employees of the listed companies and their families will indirectly benefit.