

## TC Document

### I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Strengthening trade and investment through strategic policy initiatives and special economic zones
▪ TC Number:	JA-T1241
▪ Team Leader/Members:	Lucenti, Krista (PTI/TIN) Team Leader; Brown, Tenisha Elizabeth (PTI/TIN) Alternate Team Leader; Guerrero, Pablo (INE/TSP); Ruddock, Sheries Alethea (CCB/OCC); Dorantes Gomez, Angela Carmelia (PTI/PST); Becker Seco Rosario Paz (LEG/SGO); Elmont Chantal Daniela (PTI/TIN); Navas, Rodrigo (ICT/SMC); Leon Lara Romo Ana Sofia (PTI/PTI); Pereira Pablo Andres (PTI/TIN); Esteves, Yasmin (PTI/PTI); Vasco Henao Oscar Dario (PTI/PTI); Pazos Viladegut, Jose Efrain (PTI/TIN)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	03 Mar 2025.
▪ Beneficiary:	Government of Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Integration(W2D); OC Strategic Development Program Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean(W3B)
▪ IDB Funding Requested:	OC SDP Window 2 - Integration (W2D): US\$120,000.00 OC Strategic Development Program Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean (W3B): US\$180,000.00 Total: US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	June 2025
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	PTI/TIN-Trade and Investment Division
▪ Unit of Disbursement Responsibility:	CCB/CJA-Country Office Jamaica
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631). 2024-2030:	Productive development and innovation through the private sector; Regional integration

### II. Objectives and Justification of the TC

2.1 This TC aims to strengthen Jamaica's economic growth prospects through the development of targeted trade and investment policy measures. The specific objectives are: (i) strengthening opportunities for the expansion of Special Economic Zones (SEZs) as an effective policy tool to prompt Jamaica's further integration into global supply and value chains, and to attract sustainable investment; (ii) development of a small and medium-sized enterprises (SMEs) and entrepreneurship strategy and

action plan that foster a more inclusive integration into global trade; and (iii) boosting Jamaica's service sector and its internationalization through a more cohesive policy framework.

- 2.2 Jamaica has successfully reduced public debt, anchored inflation, and built a strong track record of investing in institutions and prioritizing macroeconomic stability. The economy is estimated to have grown at about 2 percent in 2023 and 2024, with tourism above pre-pandemic levels and a continued recovery in mining ([IMF, 2024](#)). The economic outlook remains positive, although it is still exposed to risk from global growth deceleration, tighter than expected global financial conditions, commodity price volatility and natural disasters.
- 2.3 In this context, efforts to revitalize Jamaica's productive sector for sustainable growth should continue. Historically, Jamaica's growth has been hindered by financial crises and natural disasters, leading to significant output declines and prolonged recoveries. The recent progress in fiscal and climate resilience is encouraging. However, addressing low productivity remains crucial and requires a multifaceted approach: (i) reducing crime; (ii) fostering competition; (iii) strengthening education and training; (iv) improving infrastructure and logistics; (v) facilitating trade; and (vi) attracting more foreign direct investment ([IMF, 2024](#)).
- 2.4 **Sectoral concentration of Foreign Direct Investment (FDI).** The Government of Jamaica (GOJ) continues to offer incentives such as ease of payments, grace periods for tax payments, and duty-free imports to foreign investors, among others. In particular, the GOJ has established [Special Economic Zones \(SEZ\)](#)<sup>1</sup> in which operators benefit from a 12.5% reduced corporate income tax rate; customs duty relief; General Consumption Tax relief; employment tax credit; promotional tax credit on research and development; capital allowance; and other incentives.
- 2.5 While the SEZ legal framework has been recently updated and an earlier IDB consultancy was undertaken to provide recommendations for the Organisation for Economic Co-operation and Development (OECD) alignment, there is a need for investment to build out new special economic zones. In this regard, the development of the Caymanas Special Economic Zone (CSEZ) opens a strategic opportunity to tackle this issue, with the potential to bring forward more FDI and boosting economic growth. Located near the Port of Kingston, CSEZ is one of the initiatives of the Jamaica Global Logistics Hub program, which aims to transform the country into a world-class transshipment hub. The authorities have recently announced that the CSEZ will be developed in three phases over 52 months, starting in early 2025. This TC is expected to support the authorities' efforts by developing and reviewing technical and financial strategic plans.
- 2.6 **Limited Internationalization of micro, small and medium-sized enterprise (MSMEs):** According to the latest [World Bank survey report](#), Jamaica is home to approximately 425,000 micro-, small-, and medium-sized enterprises (MSMEs). These firms roughly contribute to over 40 percent of the Gross Domestic Product (GDP), account for over 34 percent of the total employed labor force, 90 percent of the private sector and over J\$80 billion in tax revenue to the Government. The Government of Jamaica (GOJ) passed the MSME and Entrepreneurship Policy in 2013 (revised 2018) which was the first comprehensive, coherent and coordinated

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<sup>1</sup> [JSEZA](#) is the government body charged with regulating, monitoring, supervising, promoting and facilitating investments in SEZs in Jamaica. Eight (8) [priority industries](#) have been defined.

framework for addressing the challenges<sup>2</sup> facing the sector. In recent years, the GOJ has set forward multiple efforts to encourage the internationalization and formalization of MSMEs. Last year, a [National MSME & Entrepreneurship Policy Consultation](#) was launched with the aim of supporting and promoting the growth and success of the MSME sector.<sup>3</sup> In parallel, the GOJ is launching turnkey Community [Micro-Business Parks](#), an innovative initiative that is intended to improve the SMEs ecosystem of real estate and dedicated support services. Regional [SMEs Accelerator Programs](#) have also been implemented, while a SME equity Fund ([Jamaica Actus Small & Medium Enterprises Fund I](#)) has been established since 2022. The 2018 MSME and Entrepreneurship Policy<sup>4</sup> proposes a mid-term review of the current Policy and Implementation Plan. The Ministry of Industry, Investment and Commerce (MIIC) has determined the importance of timely review and updating this policy in view of the changing local, regional and international business landscape.

- 2.7 **Fragmented Services Sector Framework:** Jamaica is a service-based economy, representing more than 60% of its GDP ([WB, 2023](#)), and is primarily driven by tourism, finance, and other related services. It also accounts for 68% of total employment in the country ([WB, 2023](#)). This sector is one of the key strategic priorities of the [Vision 2030 Jamaica](#) – National Development Plan. Despite its economic relevance, the GOJ has not yet developed an integrated and uniformed service policy framework to strategically guide its development, resulting in a fragmented policy environment. In particular, private sector stakeholders have identified several regulatory as well as trade-related issues which must be addressed to improve the services sector. These include but are not limited to: (i) weak service infrastructure; (ii) absence of timely data for services; (iii) barriers to foreign markets; (iv) outdated domestic regulations; (v) limited adoption of international standards; (vi) limited or no incentives for some services sectors; (vii) insufficient access to finance; (viii) limited availability of highly skilled workers; (ix) insufficient adoption of technology; and (x) lack of mutual recognition for domestic qualifications in foreign markets ([WB 2024](#)).
- 2.8 Against this background, this TC aims to support the authorities' efforts to leverage more trade and investment opportunities in Jamaica to further cement economic growth by providing tools and strategic policy frameworks. It is expected that relevant stakeholders will gain valuable guidance throughout this TC, strengthening their skills and providing best practices.
- 2.9 **Strategic Alignment.** This TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objectives of: (i) reduc[ing] poverty and inequality, through its focus on increasing trade and investment; and (iii) bolster[ing] sustainable regional growth by increasing productive development and exports. The Program is also aligned with the operational focus area(s) of: (v) productive development and innovation through the private sector, by facilitating trade and removing obstacles to business development; and (vii) regional integration, by supporting the development of a regional logistics hub. This TC is not aligned with the objective of gender equality and inclusion of diverse population groups, as there are no specific activities dedicated to this. It will be determined by the

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<sup>2</sup> Among the most pressing SMEs' constraints are: (i) appropriate access to finance; (ii) stronger business strategies; (iii) innovation and adherence to international standards; and (iv) better enabling business environment. ([Walden University, 2024](#)).

<sup>3</sup> See, for instance, [Export Max Program](#).

<sup>4</sup> See <https://www.miic.gov.jm/content/updated-msme-entrepreneurship-policy-2018>.

Government as to whether they would like to align their MSME and Services Strategies with these objectives.

- 2.10 This TC also aligns with the Integration and Trade Sector Framework Document (GN-2715-11), including all four of its lines of action related to trade facilitation, investment promotion services, transparency of information, and improving access to finance. Additionally, the program is aligned with the ONE Caribbean (Partnering for Caribbean Development Framework) (GN-3201-2), third priority on private sector engagement, by increasing opportunities for investment and trade. This TC is aligned with priority area 4: Competitive Global and Regional Integration (W2D) of the Strategic Program for Development Financed with Ordinary Capital (GN-2819-14) in: (i) support Latin America and the Caribbean's participation in regional and global value chains, (ii) support the harmonization of policies and procedures for greater productive integration; and (iii) promote trade and investment facilitation and physical integration and connectivity in Latin America and the Caribbean. This TC is also aligned with the OC Strategic Development Program Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean (W3B) [ONE Caribbean] by (ii) providing mechanisms to increase innovative financing and mobilization, improve capacity for project preparation and execution, enhance collaboration, and reduce risks; and (iii) supplementing national focus, while deepening integration to boost scale, promote coordination and exploit comparative advantages. This TC is consistent with the areas of intervention identified by the IDBG Country Strategy with Jamaica 2022-2026 (GN-3138), in reactivating the productive sector for sustainable growth through its support for attracting investment and exports through Special Economic Zones.

### III. Description of Activities and Outputs

- 3.1 **Component 1. Strengthening Special Economic Zone Regimes (US\$200,000).** This component will support GOJ's initiatives for FDI attraction and facilitation linked to the development of new SEZs. The goal will be to bring forward a faster integration into global supply and value chains by financing activities such as: (i) the development of a national SEZ Master Plan which includes the development of a strategic sector analysis to identify core comparative advantages for Jamaican exporters as well as for supplying international SEZ firms through domestic linkages; (ii) institutional strengthening through knowledge exchange (workshop/technical meetings) with other countries similar to Jamaica in Latin America, e.g. Uruguay, Costa Rica, Colombia; (iii) development of a framework for creating an SEZ incubator for entrepreneurs in the logistics sector, including the portability of SEZ designation; (iv) development of a pitch deck and other promotional materials for Caymanas to attract a private developer, operator and tenants for the SEZ (awareness campaign); (v) technical advisory services, including SEZ expertise to provide professional inputs, advice and support to the Port Authority of Jamaica (PAJ), Jamaica Special Economic Zone Authority (JSEZA), and the Jamaica Promotions Corporation (JAMPRO) during the design and marketing of the Caymanas park development. The expected outcome is increased capacity for policymaking surrounding special economic zones. The technical work will complement previous TC-financed activities including an SEZ Strategy (2024-2025), Strategic Assessment of Caymanas (2020-2021).
- 3.2 **Component 2. Leveraging inclusive trade and investment opportunities in Jamaica (US\$ 85,000).** This component will help develop policy frameworks to boost MSMEs, entrepreneurship and service sectors. It will finance activities such as: (i) review and update of the 2018 MSME and Entrepreneurship Policy; (ii) development of a Services Strategy for Jamaica. Outputs: 2 Policies. The expected outcome is increased capacity for policymaking in the area of MSMEs and

Entrepreneurship and on Services. The activities are fundamental to ensuring success of the associated Special Economic Zone technical work.

- 3.3 **Component 3. Technical coordination (US\$15,000).** This component will finance a consultant to support the monitoring and execution of the activities in this TC. Outputs: Supervision reports. The expected outcome is increased capacity to monitor and evaluate the outputs of this technical cooperation.

#### IV. Indicative Budget

- 4.1. The total cost of this TC will be US\$300,000, financed by the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-14), Window 2, Priority Area 4: Competitive Global and Regional Integration (W2D) and by ONE Caribbean, Strategic Development Program (OC-W3B), Window 3 - Transitory Emerging Need for Sustainable Development in the Caribbean. Counterpart funding is not contemplated. The indicative budget for the operation is shown in Table 1. The disbursement and execution period will be 36 months.

Indicative Budget (US\$)

Component	IDB/OC-W2D	ONE Caribbean/OC-W3B	Total Funding
<b>Component 1.</b> Strengthening Special Economic Zones regimes	20,000.00	180,000.00	200,000.00
<b>Component 2.</b> Leveraging inclusive trade and investment opportunities in Jamaica	85,000.00	0.00	85,000.00
<b>Component 3.</b> Technical coordination	15,000.00	0.00	15,000.00
<b>Total</b>	<b>120,000.00</b>	<b>180,000.00</b>	<b>300,000.00</b>

#### V. Executing Agency and Execution Structure

- 4.1 The Bank will be the executing agency of this TC through the Trade and Investment Division of the Productivity, Trade and Innovation Sector (PTI/TIN) under the Vice-Presidency for Sectors and Knowledge (VPS), in accordance with the policy for Technical Cooperation (GN-2470-2), and the corresponding Operational Guidelines (OP-619-4). The Client Support taxonomy of this TC justifies the execution by the Bank, given that the Bank has the necessary technical expertise to execute complex activities which require the participation of multiple government stakeholders. As a neutral party, the Bank can use its convening power to ensure all relevant private and public sector actors are involved. In addition, the Government requested Bank execution in its letter of request. The Unit of Disbursement Responsibility (UDR) will be the IDB Country Office in Jamaica (CCB/CJA).
- 4.2 **Procurement arrangement.** All procurement to be executed under this Technical Cooperation has been included in the Procurement Plan (Annex III) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the Regulation on Complementary Workforce (AM-650); and (b) Contracting of services provided by consulting firms and contracting of non-consulting services, in accordance with the Corporate Procurement Policy (GN-2303-33) and its Guidelines.
- 4.3 **Monitoring and reporting arrangements.** The monitoring and reporting activities for this TC will be managed by PTI/TIN under the responsibility of the Project Team Leader. Monitoring of the planned activities in this TC will follow the TC Monitoring and Reporting System–TCM (OP-1385-4).

#### VI. Major issues

- 6.1 There are risks that delays could arise regarding the development of CSEZ along its different phases. Proper coordination among different initiatives supported by other Development Financial Institutions (DFIs) and inter-agency coordination must also be guaranteed. These risks will be mitigated through continuous dialogue with GOJ and other DFIs to achieve the proposed development objectives.

**VII. Exceptions to Bank policy**

- 7.1 No exceptions to Bank policy have been identified.

**VIII. Environmental and Social Aspects**

- 8.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

**Required Annexes:**

[Request from the Client\\_15138.pdf](#)

[Results Matrix\\_84429.pdf](#)

[Terms of Reference\\_61467.pdf](#)

[Procurement Plan\\_42454.pdf](#)