

Business Environment Reform: International Experiences and Implications for Jamaica

Catherine Masinde

**Manager, Business Regulation
Macro, Trade and Investment
World Bank Group**



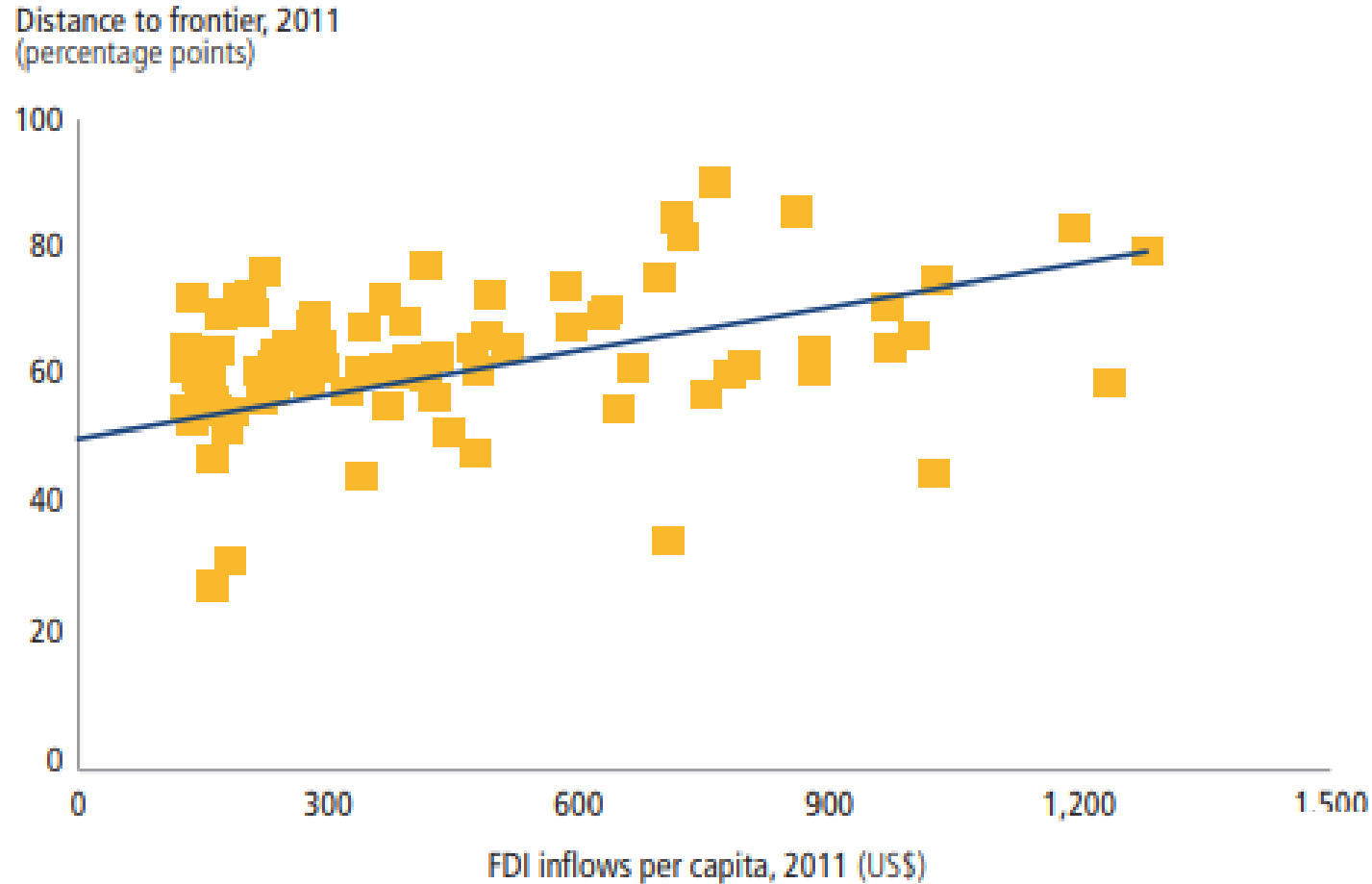
OUTLINE

1. The importance of regulatory reforms to improve competitiveness
2. Jamaica's experience in *Doing Business*
3. Experiences and lessons from other reformers

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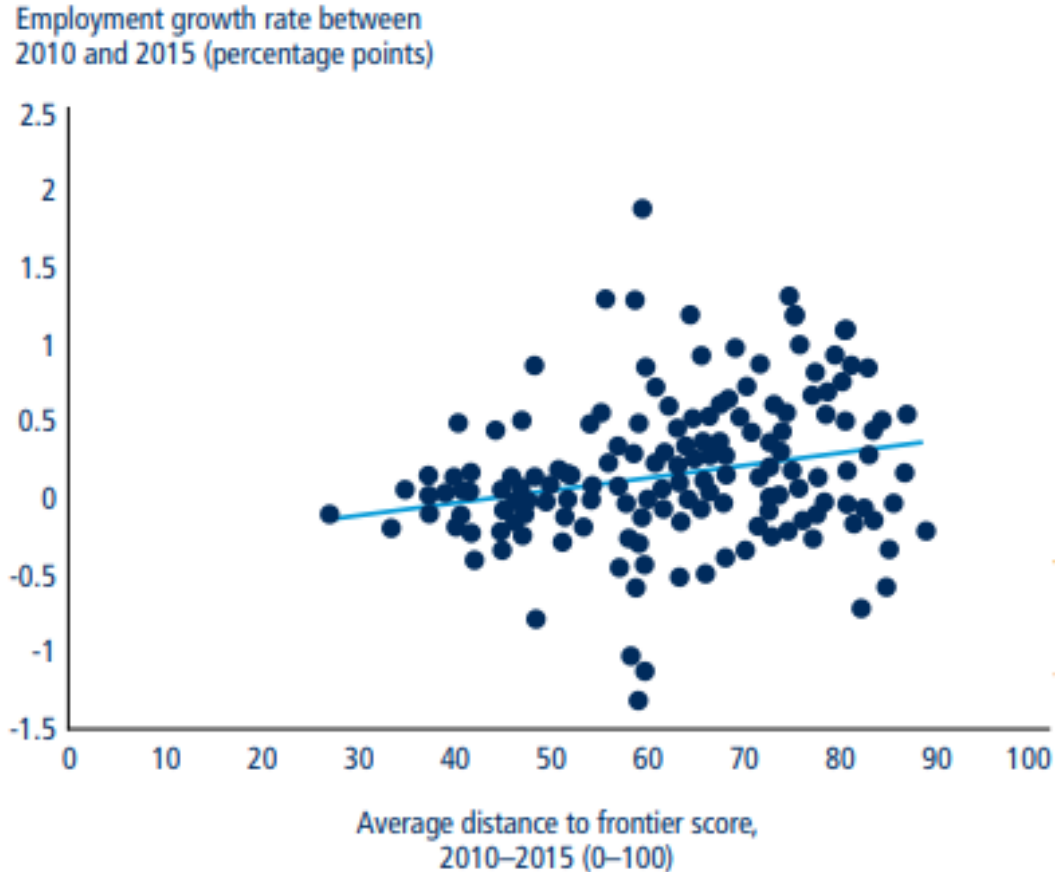
Better overall regulation is correlated with more FDI inflows



Moving 1 percentage point closer to the frontier regulatory environment is associated with \$250–500 million more in annual FDI inflows.

Source: *Doing Business 2018 data*

Better business regulation is associated with employment growth



Across economies there is a significant positive association between employment growth and the distance to frontier score.

Economies with less streamlined business regulation have higher levels of unemployment on average -- *a one-point improvement in the distance to frontier score is associated with a 0.02 percentage point decline in unemployment growth rate.*

Source: Doing Business 2018 data

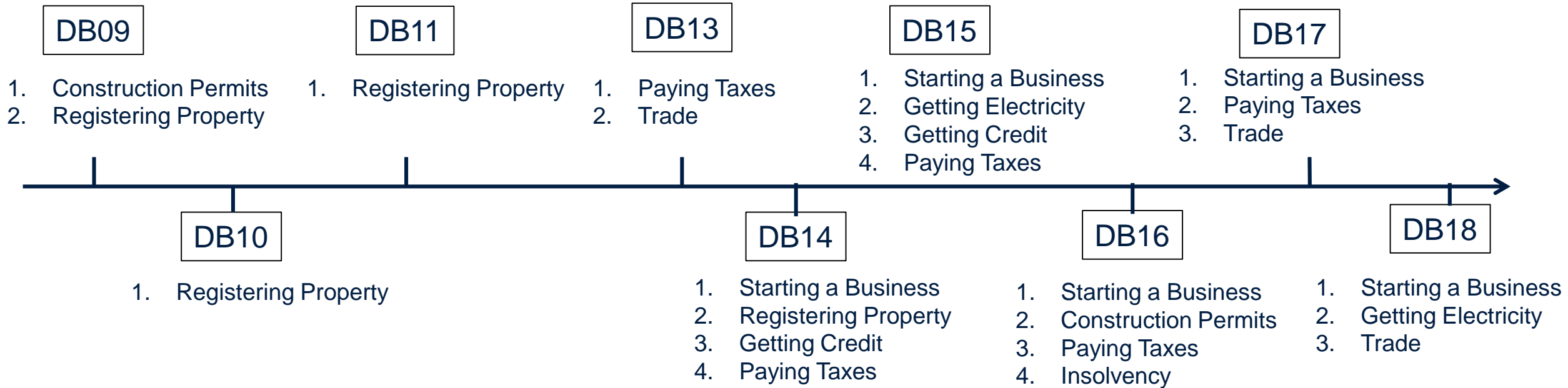
Why does reforming the business environment matter? Other findings from recent research.

- Lower start-up costs can result in **increased overall productivity**.
- Economies with more transparent and accessible information have **lower levels of corruption** on average.
- In economies with effective regulation, firms are also more inclined to join the **formal sector**.
- Improving port efficiency can lower shipping, **increasing the volume of bilateral trade**.
- Better performance in *Doing Business* is associated with **less income inequality** on average, particularly regarding the starting a business and resolving insolvency indicator sets

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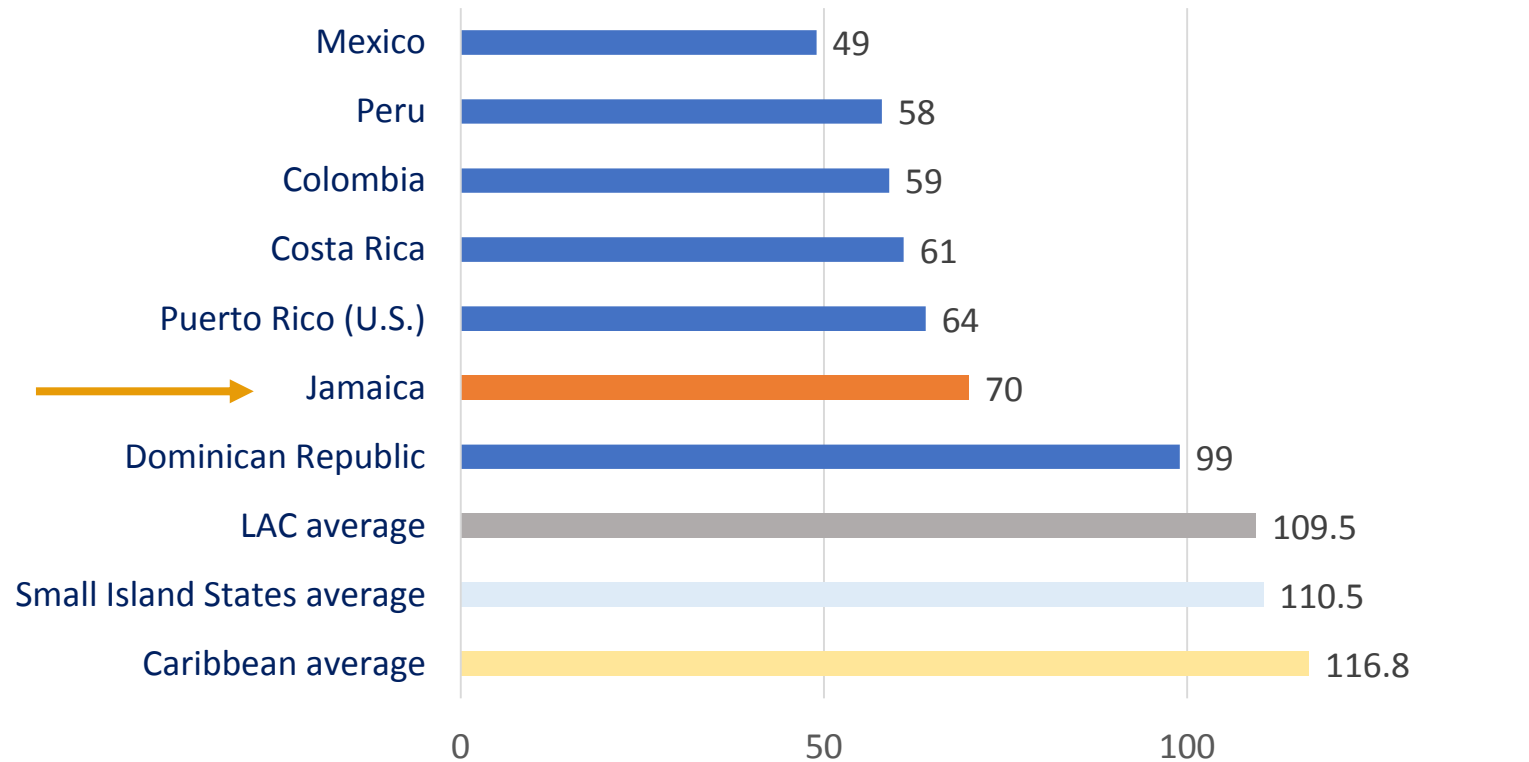
Thanks to sustained reform efforts, *Doing Business* has recognized 24 reforms implemented by Jamaica over the last 10 years.



As a result, Jamaica improved 6.51 points towards the overall distance to frontier since 2008 – the second highest increase in LAC (behind Costa Rica)

Jamaica leads the ranking for all Caribbean countries and ranks 6th in the Latin America and Caribbean region.

Global Rankings in *Doing Business* 2018, from 1 to 190 economies



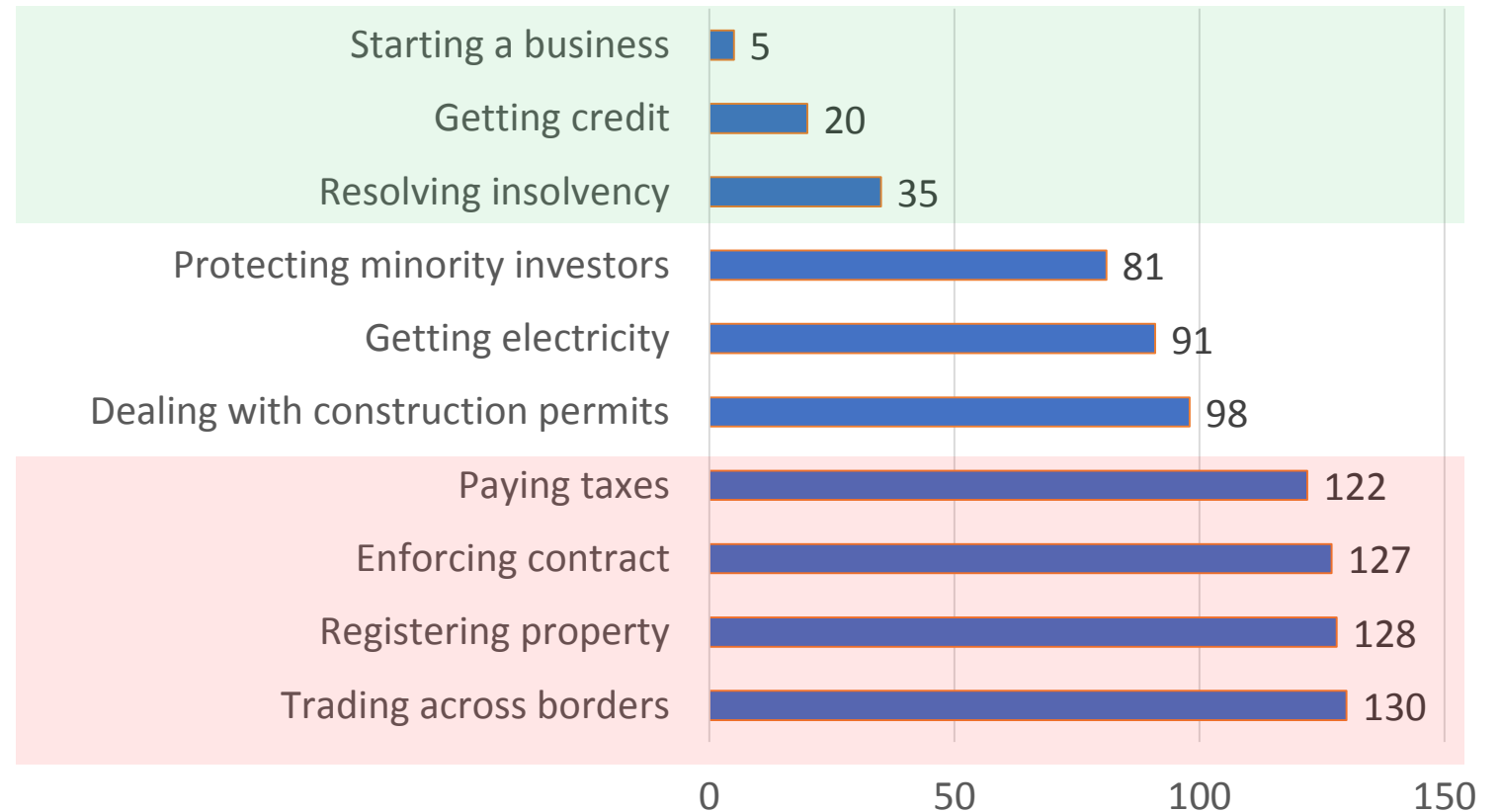
Jamaica ranks 70th of 190 economies on the overall ease of Doing Business (DB2018)

Jamaica ranks 6th in the LAC region, behind Mexico (49), Peru (58), Colombia (59), Costa Rica (61), and Puerto Rico (64).

While Jamaica performs strongly overall in *Doing Business 2018*, the data shows significant variation across the topic areas, signaling room for improvement...

- **There is wide variation across indicators**, ranging from 5th in Starting a Business to 130th in Trading Across Borders.
- **Jamaica ranks below the regional LAC average in**
 - Paying Taxes
 - Enforcing Contracts
 - Registering Property
 - Trading Across Borders.

Jamaica's Rankings across individual indicators, from 1 to 190



Jamaica already has several efforts underway to improve these areas...

- **Construction Permits** -- [AMANDA Public Portal II](#) (to be launched mid-2018)
 - Application Management and Data Automation Project which connects the local planning authority with the National Environmental Planning Agency (NEPA).
- **Registering Property** -- [Electronic Land Titling Program](#)
 - The National Land Agency is working on improvements to the “eLandjamaica” platform to transform it into a fully transactional public portal allowing for fully electronic titling.
- **Trading Across Borders** -- [Trade Facilitation Reform Program](#)
 - National Growth Agenda component on the national Logistics Hub Initiative (LHI), implementation of the ASYCUDA System.
- **Paying Taxes** – [Electronic Payments System](#)
 - Recently implemented an electronic system for filing of corporate income tax, VAT and social contribution.

...but there is much work to be done.

Regulatory improvement and enforcement

- Enforce risk-based management systems for inspections for construction permitting and trade
- Establish an efficient Building Code through the implementation of the Building Act 2017

Streamlining processes and procedures

- Consolidate and streamline the procedures for construction permitting
- Streamline documentary requirements for export and import by reducing the number of licenses and permits required.

Improving coordination between agencies

- Improve border agency coordination and collaboration to increase efficiency at the border
- Link the databases and systems of the agencies involved in property registration into a unified, integrated system

Implementation of electronic systems

- Develop an electronic case management system for enforcing contracts
- Upgrade and optimize the online filing and payment systems for paying taxes

Improving institutional transparency

- Provide easy and transparent access to information through effective communication of existing requirements for construction permits and trade procedures and fees.
- Increase transparency of the property registration system by publishing statistics on land disputes and property transfer transactions.

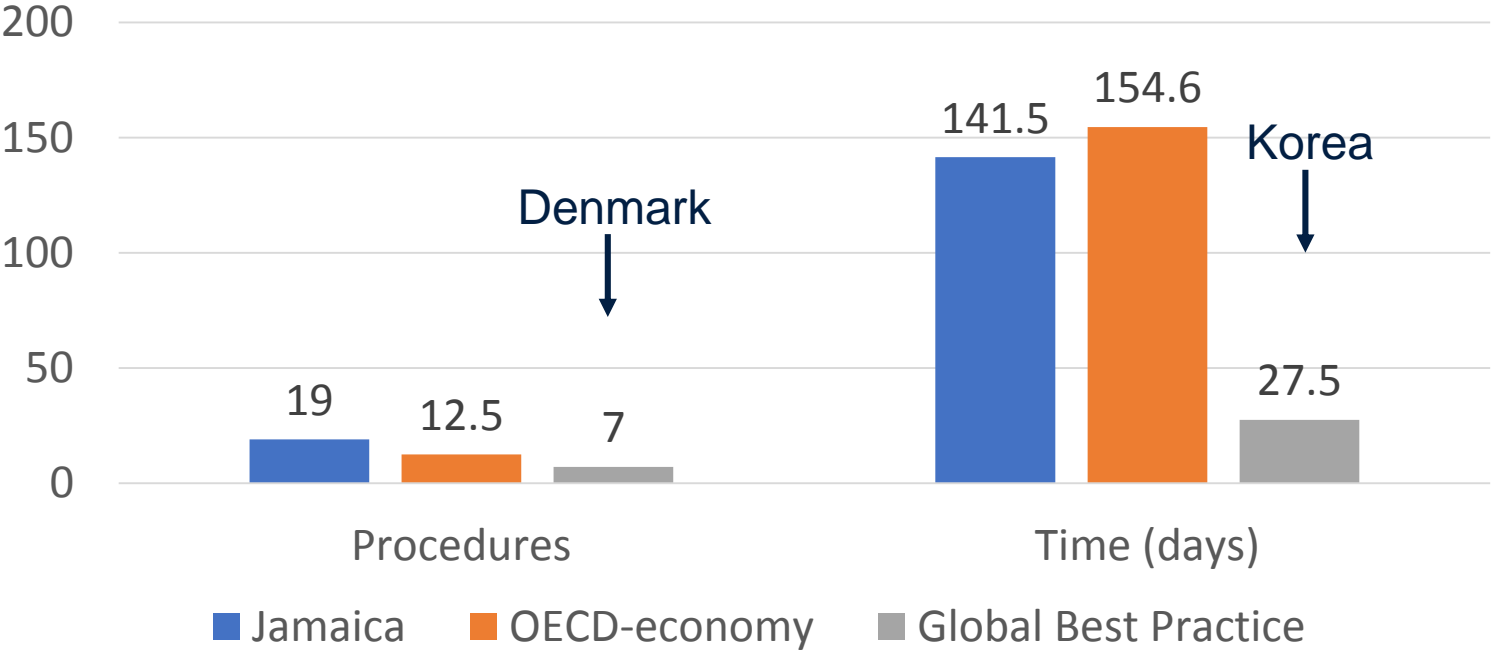
HIGHLIGHT ON CONSTRUCTION PERMITS: Jamaica should continue to focus on improving their competitiveness in construction permitting in order to spur building investment.

- **For many entrepreneurs, construction regulations are a critical factor when deciding where to establish their businesses.** It is often the foundation for economic activity that follows-- like investment and trade.

Key Recommendations:

- **Introduce client facing features** within the new AMANDA Public Portal II
- **Establish a fast-track approval process** to obtain building permits for low risk commercial and industrial buildings.
- **Ensure enforcement of required risk-based inspection** and explore the possibility of joint inspections by selected agencies.
- Combine all the relevant fees, taxes and duties at a **single point of collection**
- **Develop performance standards** in terms of turnaround time

Jamaica compared to OECD average and Global Frontier



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REFORM STRATEGIES: Five Common Features of Successful Reformers

Leadership at the highest political level and clear accountability mechanisms

e.g. Prime Minister or President's endorsement in Colombia, Costa Rica, Malaysia, Russian Federation, Macedonia FYR, Turkey

A long-term comprehensive vision and clear objectives

e.g. Malaysia and Mauritius: high-income economy by 2020; Colombia: most competitive economy in region

Inclusive reform with an appropriate institutional mechanism

e.g. public-private National Competitiveness Councils in Colombia and Peru, PEMUDAH in Malaysia, Business Reference Panel & business surveys in the UK

Detailed implementation plan with measurable goals which are monitored

e.g. Peru, Colombia, Mauritius developed action plans that are monitored and regularly updated; Korea and Peru report progress to public; monitoring through performance indicators with escalation mechanism to PM in the UK

Private sector involvement and effective communication

e.g. public private steering committees and working groups in Morocco, Malaysia, Russian Federation, Turkey

CONCLUSIONS: Key elements to consider for Jamaica

- High level vision has to be translated into **key performance targets and detailed action plans at all levels**
- **Institutionalized leadership** – a transparent and effective system of interaction between government agencies and subnational units, periodic reporting and escalation/arbitration mechanisms at different levels are needed to support implementation
- **Incentives have to be in place** – peer-learning, financial incentives, recognition and public sector performance, public commitments and annual/bi-annual public performance reports
- **Keeping the end-user/beneficiary in mind** – private sector participation in agenda/priority setting (surveys, private organization input, membership in steering committees); consultation mechanisms on new legislations, notice and comment, feedback loops, user surveys

THANK YOU

WWW.DOINGBUSINESS.ORG

What does *Doing Business* measure?

Doing Business indicators:

- Focus on **11 areas of business regulations** relevant to the life cycle of a small to medium-size domestic business.
- Are built on **standardized** case scenarios.
- Are measured for the largest **business city** in each economy, and the second largest business city in countries with more than 100 million inhabitants as of 2013.
- Are focused on the **formal** sector.



“Job creation is one of the transformational gains that countries and communities can achieve when the private sector is allowed to flourish. Fair, efficient and transparent rules, which *Doing Business* promotes, improve governance and tackle corruption”

Kristalina Georgieva, World Bank Chief Executive Officer

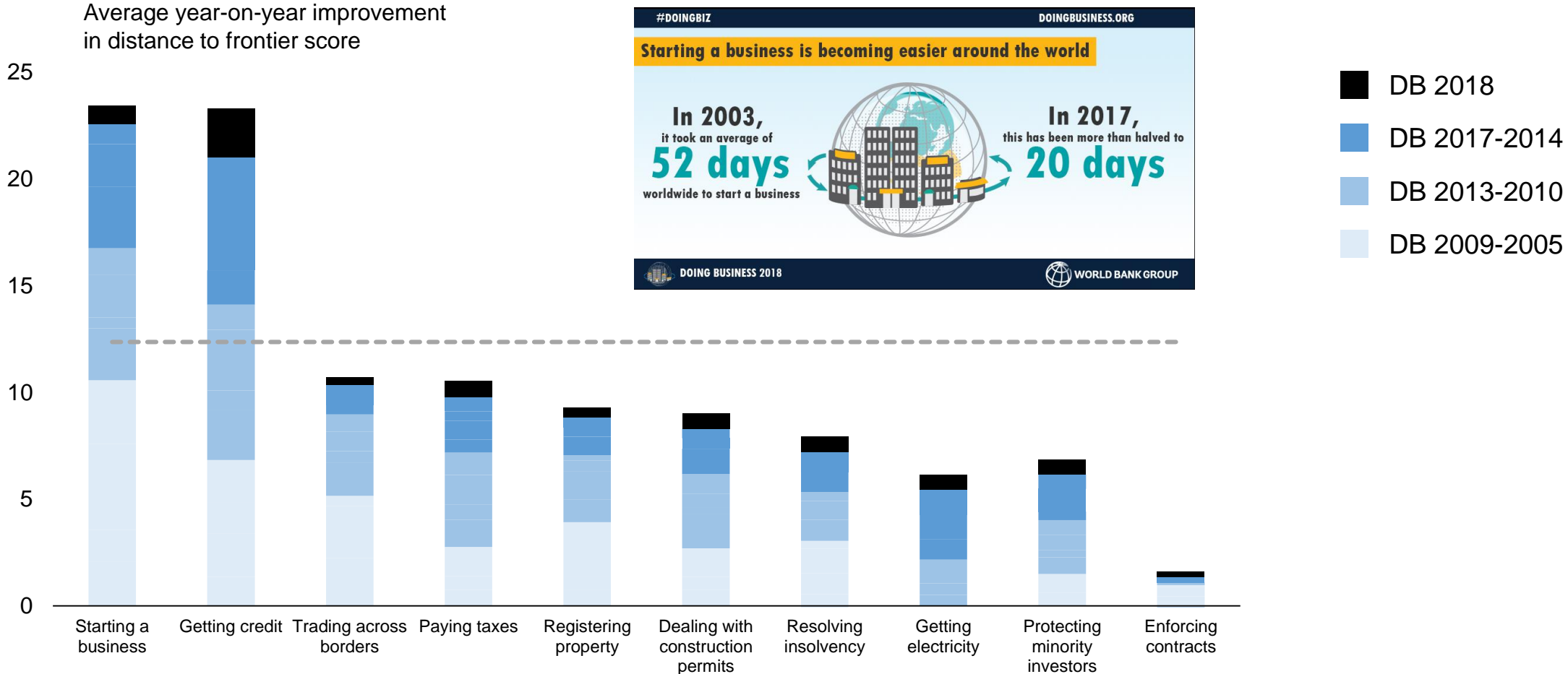
ECONOMIES WITH MORE BUSINESS-FRIENDLY REGULATION TEND TO HAVE LOWER LEVELS OF INCOME INEQUALITY



Sources: *Doing Business* database; PovcalNet (<http://iresearch.worldbank.org/PovcalNet/index.htm>), World Bank.

Note: The figure compares distance to frontier score to the Gini index as calculated in PovcalNet. The data ranges from 2003 to 2013 and includes 713 observations. The correlation between the Gini index and the distance to frontier score is -0.33. The relationship is significant at the 1% level after controlling for income per capita and government expenditure.

Economies have improved regulatory processes the most in the area of starting a business



Source: Doing Business database.

Note: The measure is normalized to range from 0 to 100, with 100 representing the frontier. Because of changes over the years in methodology and in the economies and indicators included, the improvements are measured year on year using pairs of consecutive years with comparable data.