



**Jamaica Logistics
Hub and the Jamaican
Growth Agenda -
Options for Financing**

Juan Pedro Schmid
Senior Country Economist for Jamaica

Content

- Introduction
- Current Growth Outlook
- New Opportunities and the IDB
- Conclusion

Introduction

- Jamaica exiting a long and deep recession and period of macroeconomic uncertainty.
- Stabilization supported by IMF Extended Fund Facility (EFF) and other multilaterals is being successfully implemented.
- Government is moving fast on growth agenda.
 - Structural reforms.
 - Specific projects: 360 MW plant, Logistics Hub, Agro-Parks, North-South Highway.

Current Growth Outlook

Jamaica's Growth Agenda

- Confidence based on reforms and stabilization of the four-year EFF.
- Economic and structural reforms improve business climate.

Growth process will be slow and tedious!

- Based on gradual improvements in confidence and relying on comparative advantages.
- Jamaica currently lacks driver for the economy and has many disadvantages.

Business Climate Challenging

- Firms face a number of restrictions to growth.
- Low productivity.
- Firms identify several factors as major constraints to their firm's operations.
 - Tax rates, tax administration, crime, corruption, electricity, access to finance and practices of the informal sector.

Socio-Economic Conditions

- Poverty has been climbing (17.6% in 2010).
- Unemployment climbed to 16.3% (April 2013).
- Crime: Jamaica has among highest homicide rates in the world.
- Informal activity almost half of GDP.
- Remittances have recovered to over 15% of GDP and constitute a major safety net.

New Opportunities and the IDB

Economic Impact of Logistics Hub?

- A major driver is needed
 - Pulls the country.
 - Gives structure and quick payoffs to reforms.
- Logistics Hub
 - Revenues, employment, cheaper freight for Jamaican firms.
- Attached manufacturing and services
 - For shipping and logistics.
 - Indirect, hotels, restaurants, shops, etc.
 - Intermediate manufacturing.
- FDIs: Capital and technology transfer and spillovers.

Risks

- Logistic Hub is a highly complex undertaking.
 - Planning, financing, timing, infrastructure, environment, energy,...
- Competition from other countries in the region.
- Distraction.
 - Jamaica's problems will not disappear.
 - Crime, low productivity, skills and educational quality, health, etc.

Role of the IDB: Sovereign Guaranteed

- IDB has been for a long time a major partner of Jamaica.
- Currently active on fiscal/tax reform, competitiveness and human capital protection.

Support to the Government:

- Technical Corporations.
- Sovereign Lending:
 - GOJ requests funds for projects (infrastructure).
 - Constrained by Fiscal Space.
 - Competing with other priorities.



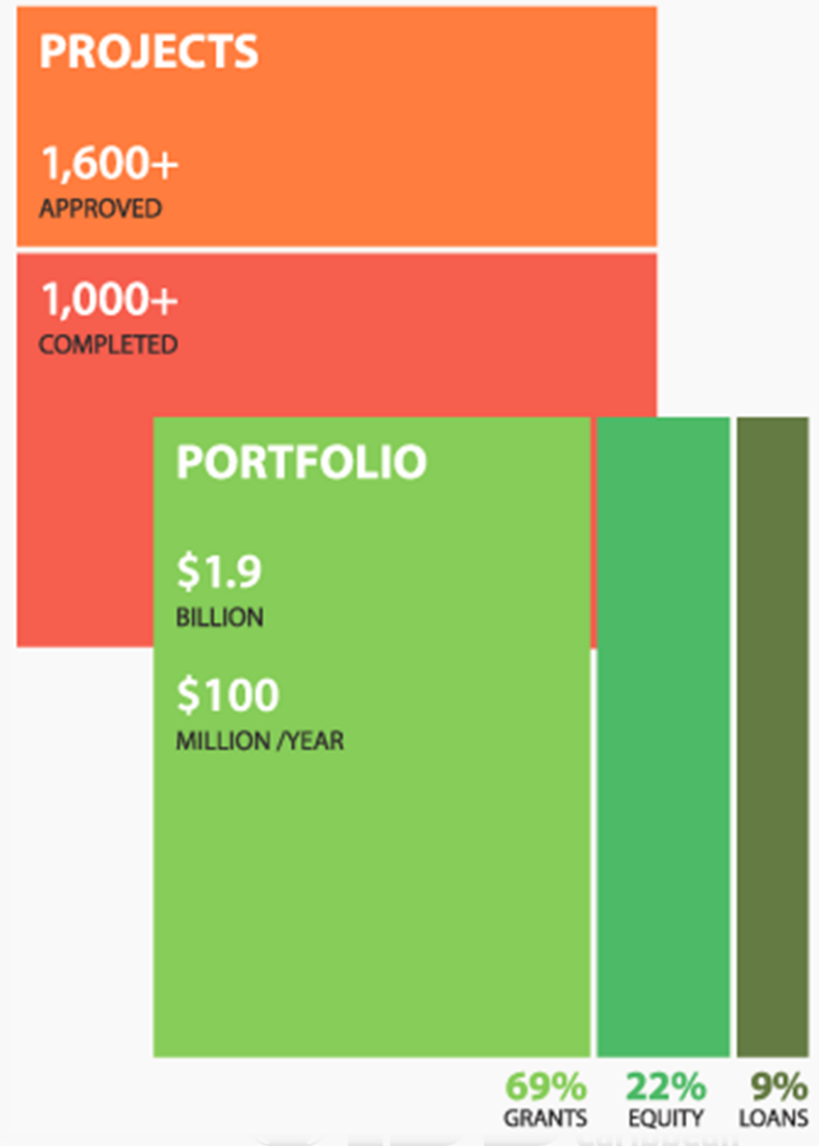
Role of the IDB: Private Sector

- **Multilateral Investment Fund (MIF)**
 - Technical Assistance/ Knowledge.
 - Loans/Equity.
- **Inter-American Investment Corporation (IIC)**
 - Technical Assistance.
 - Project Finance/ Corporate Loans/ Project/ Financial Institutions.
- **Structured & Corporate Finance Department (SCF)**
 - Technical Assistance.
 - Donor Funds available for post-feasibility studies.
 - Project Finance/ Corporate Loans

Multilateral Investment Fund (MIF)

- **A Laboratory** – innovating and taking risks to support successful development models.
- **Flexible Tools** – technical assistance, loans and equity investments.
- **Financing** to level the access playing field through **Access to Finance, Markets and Basic Services** projects.

THE MIF IN NUMBERS, SINCE 1993



MIF Offer that Could Support the Logistics Hub

➤ **Regional PPP Advisor Service** program designed to assist with innovative and environmentally sustainable PPPs

- Project preparation – Pre-feasibility and feasibility studies and non-financial support for project structuring.
 - Public Sector: Non-Reimbursable
 - Private Sector: Contingent Reimbursable

➤ **Customize Project Support to integrate SMEs with the HUB**

- Capacity building
- Loans for Micro firms



Inter-American Investment Corporation (IIC)

- What we are looking for
 - i. Provide financing for private business with a development impact and a focus on SME.
 - ii. Environmentally sustainable.
- Typical Structure
 - i. 33 percent of a new project or up to 50 percent of an expansion project for an existing company.
 - ii. 3-10 year term, typically up to US\$5 million.
 - iii. Profitable businesses with sales from US\$5 million to US\$35 million.
- We offer
 - i. Technical Assistance.
 - ii. Corporate & Project Finance loans, FI financing, Equity.
 - iii. Market based interest rates.
 - iv. Size: US\$100,000-US\$40 million.



IIC Requirements

- Originate in the private sector, preferably SME.
- Benefit the local economy.
- Show financial viability and profitability.
- Audited financial statements.
- Demonstrate growth potential.
- Comply with domestic labor and environmental regulations.

Structured & Corporate Finance Department

- What we are looking for
 - i. High development impact with linkages to local economy: jobs, SME engagement, etc.
 - ii. Environmentally sustainable.
- Typical Structure
 - i. 35-50% Equity: depends on debt service capability.
 - ii. 10-18 year term.
 - iii. Completion Guarantee for Physical Completion (infrastructure) and Financial Completion (operation stability).
- We offer
 - i. Grants to increase development impact (post feasibility).
 - ii. Corporate & Project Finance loans.
 - iii. Market based interest rates.
 - iv. Longer tenors – up to 18 years.
 - v. Size: Loans/guarantees US\$10-US\$200m.



SCF Requirements

- Business Plan with 10-18 years financial model.
- Offtake agreements (sales contracts).
- Environmental Impact Assessment.
- Financial Information of sponsors.
- Historical financial statements (3 years audited for existing companies).
- Confirmation of source of equity.
- Due diligence by independent consultant:
 - Market/sales
 - Environmental
 - Legal
 - Independent engineer
 - Insurance

Conclusions

- This is a huge opportunity for Jamaica.
- Alternative is more of the same, probably for less.
- Government/IDB is restricted by fiscal space and competing priorities for sovereign part.
- We expect several business opportunities related to the Logistics Hub and look forward to providing our support.

Thank you very much

Therese Turner-Jones: Representative

thereset@iadb.org

Juan Pedro Schmid: Country Economist

jpschmid@iadb.org

Stefan Wright: Lead Investment Officer, SCF

stefanw@iadb.org

Wayne Beecher: Senior Specialist, MIF

wayneb@iadb.org