

# MULTILATERAL INVESTMENT FUND PROJECT ABSTRACT

## I. BASIC PROJECT DATA

Title:	Quality, Environmental and HACCP System Implementation in SMEs		
Country:	Jamaica		
Executing Agency:	Jamaican Standards Bureau		
Financing:	MIF—Human Resources Facility:	US \$	953,330 (70%)
	Local Counterpart:	US \$	<u>408,570 (30%)</u>
	Total:	US \$1, 361,900	
Application Date:	March 2000		

## II. BACKGROUND

- 2.1 In Jamaica, the reduction of the inflation rate to single-digit levels in recent years, combined with a gradual depreciation of the exchange rate over the last year, has somewhat curbed the appreciation of the real effective exchange rate that was occurring previously. Interest rate reduction has become a renewed focus of official policy, and rates have declined in recent months, though not as rapidly as desired, though they are projected to decline further.
- 2.2 Strong export performance and competitiveness is vital to Jamaica given the openness of the economy and the need to earn foreign exchange in order to help finance its development program. Through the National Industrial Policy (NIP), which was published in 1996, the GOJ identified the *export push* as the strategic focus of the Policy, observing that in Jamaica, “growth essentially means the export of goods and services”<sup>1</sup>. The urgency to strengthen export competitiveness is growing as a result of the emergence of a more liberalized international economic environment and the imminent decline of trade preferences, which Jamaica has traditionally enjoyed.
- 2.3 While overall economic performance in Jamaica has been sluggish in the 1990s, it is worth noting that food processing and other agro-industries have continued to grow and show potential. In order to realize this potential, however, it is necessary to strengthen the processing capabilities of the agro-processing industry. The proposed modernization of the country’s legislative framework away from specifying end product testing of food samples as the means of ascertaining the safety of the product must also be realized. Most factories are ill-equipped to compete internationally as their system of production does not provide assurance of the safety of the food.
- 2.4 The Government of Jamaica (GOJ), in the National Industrial Policy, recognized that the process of building competitive advantage in the Jamaican economy is based on systematic application of science and technical knowledge to meet the needs of the economy in numerous areas. In this connection, it is recognized that competitiveness requires firms to acquire core competencies that allow them to perform up to the level of international best-practice across many different aspects of their products: price, quality, design, packaging, delivery, etc.

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<sup>1</sup> See the National Industrial Policy: a Strategic Plan for Growth and Development, Government of Jamaica, Kingston, 1996.

- 2.5 Facilities for providing information, training and advice to manufacturing and service organizations (such as providers of tourist services) on matters related to the implementation of Management Systems (MS) are an important requirement in today's increasingly competitive international economic environment. At present, local companies in Jamaica are required to access the services of overseas certification bodies to obtain certification for ISO 9000 and ISO 14001 management systems. Moreover, the lack of an internationally accredited certification body in Jamaica means that the fees for certification of MS in SMEs and other companies is exorbitant and often out of reach.
- 2.6 This project seeks to address the need for Jamaica to increase its competitiveness in the global marketplace through the implementation of ISO management systems (i.e. ISO 9000 and ISO 14001) and Hazard Analysis Critical Control Points (HACCP) management systems.

### III. PROJECT BENEFICIARIES

- 3.1 Beneficiaries will be small and medium enterprises, consultants, service providers and human resource training centers that become associated, through competition or by invitation, in the various programs under the project.

### IV. PROJECT OBJECTIVES, COMPONENTS AND ACTIVITIES

- 4.1 The objective of the proposed project will be to elevate the level of efficiency, quality and competitiveness among SMEs in Jamaica through the introduction of quality, environmental, and HACCP management systems. More specifically, the program plans to: (i) facilitate the implementation of quality, environmental and HACCP systems in SMEs; (ii) train and certify auditors in ISO 9000, ISO 14000 and HACCP systems; (iii) gain internationally recognized accreditation for the JBS as a Certification Body; and, (iv) promote the benefits of these management systems to increase the awareness among Jamaican SMEs.
- 4.2 The project will encompass five primary components:
- (i) **Preparation and training component**—The JBS will contract to develop the training materials to be used in the quality, environmental and HACCP management system (MS) training for the SMEs that will be specifically tailored to their needs.
  - (ii) **Management System (MS) implementation for SMEs**—With the purpose of improving their competitiveness, part of this project will entail the implementation of quality, environmental and HACCP systems among SMEs. The implementation of these systems, undertaken on a cost-sharing basis, will demonstrate that it is possible for SMEs to implement these systems. The participating companies will benefit directly from the increased trading opportunities that will arise and the consequent increases in profitability.
  - (iii) **Training of Auditors**—Trained internal auditors are a necessary part of any management system seeking certification, and therefore, part of the implementation program will make provisions for this type of training. In addition, the revision of the ISO 9000 standards will require the re-training of internal auditors in the SMEs that have already implemented ISO 9000. In summary, the project includes training programs for internal and external auditors in environmental, quality and HACCP management systems.
  - (iv) **Accreditation assistance**—To identify institutional strengthening requirements for the JBS to build and up-grade its capacity to become a certification body.
  - (v) **Promotion component**—To guarantee the replication of this process, the results will be disseminated through events, publications, and articles. In order to facilitate the promotion

of this project and to the benefits of MS implementation, the JBS will create a database, which will be used to monitor and track the performance of firms undergoing MS implementation. This information will be disseminated throughout Jamaica, to assist firms with understanding the benefits of MS implementation.

## **V. PROJECT COST, FINANCING AND EXECUTION TIME**

- 5.1 The estimated cost for the project is approximately US\$1,361,900 of which US\$953,330 is requested for financing by the Multilateral Investment Fund. The remainder, US\$408,570, will be contributed by the local counterpart agency, with at least half of this amount in cash, the rest in kind. The project is expected to continue over a three-year period.

## **VI. EXECUTING AGENCY**

- 6.1 The Jamaica Bureau of Standards (JBS) is a statutory body, established by the Standards Act of 1968. The Institution is one of the 133 members of the International Organization for Standardization (ISO) and has been a member since 1974. The primary function of the Bureau of Standards is to promote and encourage the maintenance of standardization in relation to commodities, processes and practices. The Bureau provides a wide range of services and facilities. It tests, analyses and certifies a variety of raw materials, components and finished products on behalf of consumers, manufacturers, national and international agencies, importers and exporters.
- 6.2 The Bureau, as a member of ISO, has just completed a two-year term of office on both the governing ISO Council and its standing finance committee. It also hosts the national WTO/TBT Enquiry Point and the national Contact Point for the WHO/ FAO Codex Alimentarius Commission. JBS is the primary national institution at the interface of science, technology and engineering on the one hand and trade and industry on the other.

## **VII. EXPECTED PROJECT RESULTS AND JUSTIFICATION**

This project is expected to result in a number of specific benefits including:

- (i) Training for at least 20 trainers to develop expertise in local persons needed to assist organizations to develop and implement management systems (environmental, quality and HACCP based systems) and to disseminate information on the management systems;
- (ii) An accredited local certification body providing internationally recognized facilities for the certification of management systems (environment, quality, and HACCP); personnel (e.g. consultants, trainers, auditors, occupational specialists) and; organizations (e.g. training institutions);
- (iii) 14 environmental management, 10 quality management and 3 HACCP systems certified external auditors to act as resource persons for the Certification Body;
- (iv) 10 environmental management systems, 10 quality management systems and 20 HACCP systems trained internal auditors that are necessary within organizations for the implementation and maintenance of the management system (MS);
- (v) At least 30 management systems (quality, environmental and HACCP) will be implemented in a group of SMEs.
- (vi) A database of local examples of management system implementation in SMEs for reference. Currently information available is only on international organizations and these are often not relevant to the Jamaican situation
- (vii) Services and expertise derived from the project (e.g. training, auditing, and certification of systems) will be offered to the Caribbean region.

## **VIII. MAJOR ISSUES**

- 8.1 The proposed Project Execution Unit scheme should be analyzed to be certain that it is structured in the most efficient manner and that it is undertaken in accordance to Bank rules of procurement.
- 8.2 In addition, during the preparation and analysis period, the project team will give particular attention to the following areas: (i) the institutional capacity of the JBS, especially related to their ability to implement and oversee the proposed activities; (ii) the organizational structure and the administration of the proposed activities; and (iii) the availability of counterpart resources.

## **IX. RECOMMENDATIONS**

- 9.1 The budgetary needs for this project should be scrutinized during the project preparation and analysis period and steps should be taken to confirm that the JBS is financially capable of allocating the necessary resources to this initiative.
- 9.2 It should be made clear to the JBS that MIF resources are not to be used for certification costs of the participating firms.

## **X. ESTIMATED PROJECT PREPARATION AND ANALYSIS TIME**

- 10.1 Once this abstract is approved, the project team will undertake the preparation and analysis mission within a month of abstract approval. Therefore, once the eligibility of this initiative has been determined, it is estimated that the project preparation and analysis time will be three months until submission for approval by the Donor's Committee.

## **XI. RELATION WITH OTHER BANK PROJECTS**

- 11.1 This initiative complements efforts throughout the region of the MIF in the area of ISO Management Systems. This project is consistent with Bank strategy identified in the Country Paper through the promotion of an improved environment for long-term private sector-led growth and development, by requiring attention to issues of productivity and competitiveness.