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Jamaica's EFF program at 1.5

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*Views expressed are those of the speaker alone and
should not be reported as representing the official
position of the International Monetary Fund.*



An Uneven Global Recovery Continues

WEO Real GDP Growth Projections (October 2014)

(percent change from a year earlier)



World



U.S.



Area



Japan



Brazil



Russia



India

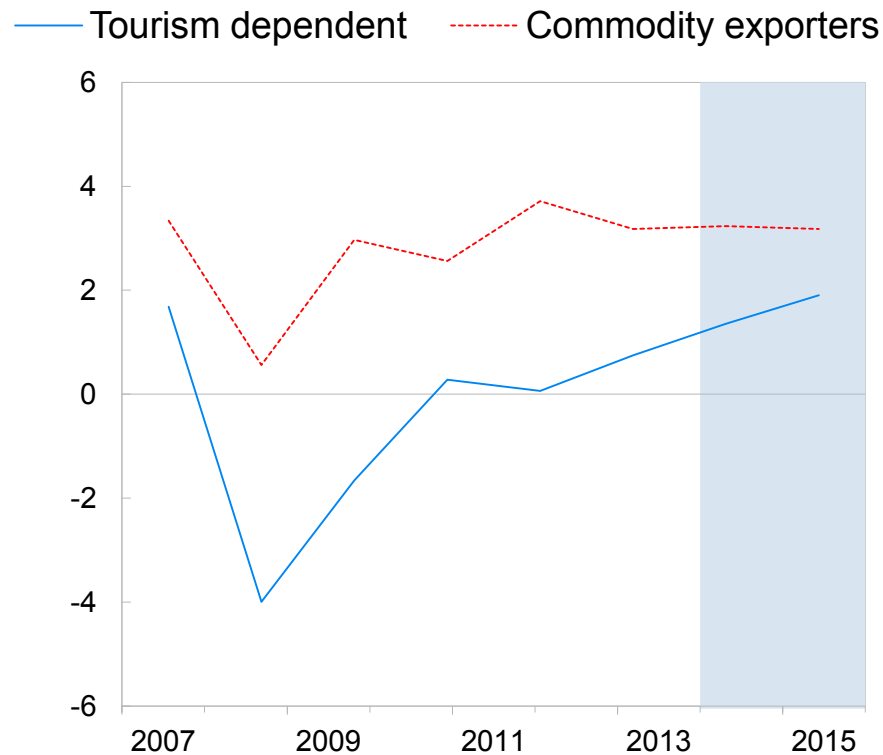


China

2013	3.3	2.2	-0.4	1.5	2.5	1.3	5.0	7.7
2014	3.3	2.2	0.8	0.9	0.3	0.2	5.6	7.4
2015	3.8	3.1	1.3	0.8	1.4	0.5	6.4	7.1

Growth in the Caribbean is expected to remain modest—with some shift towards tourism-dependent economies...

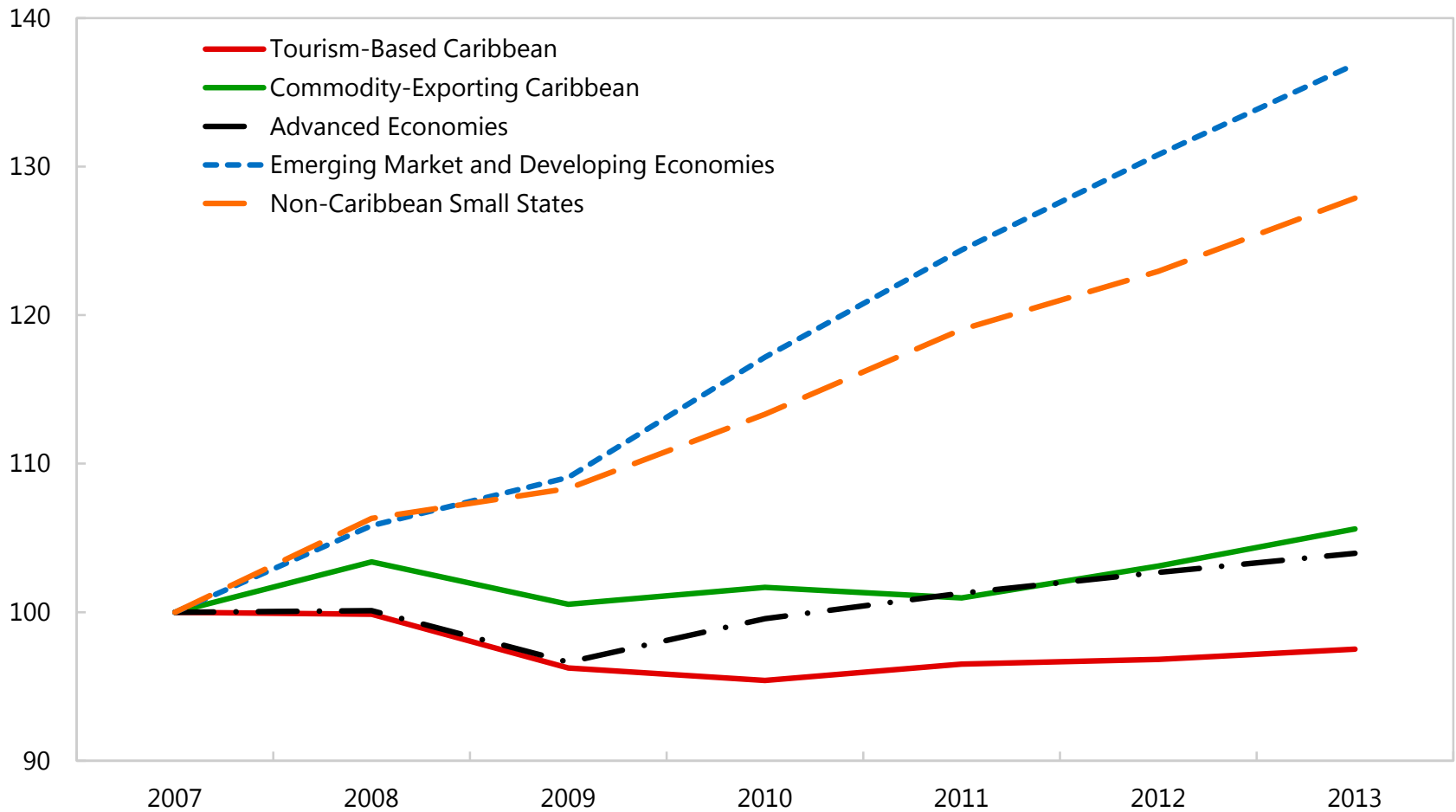
Real GDP Growth
(Percent change)



Source: IMF, *Regional Economic Outlook*.

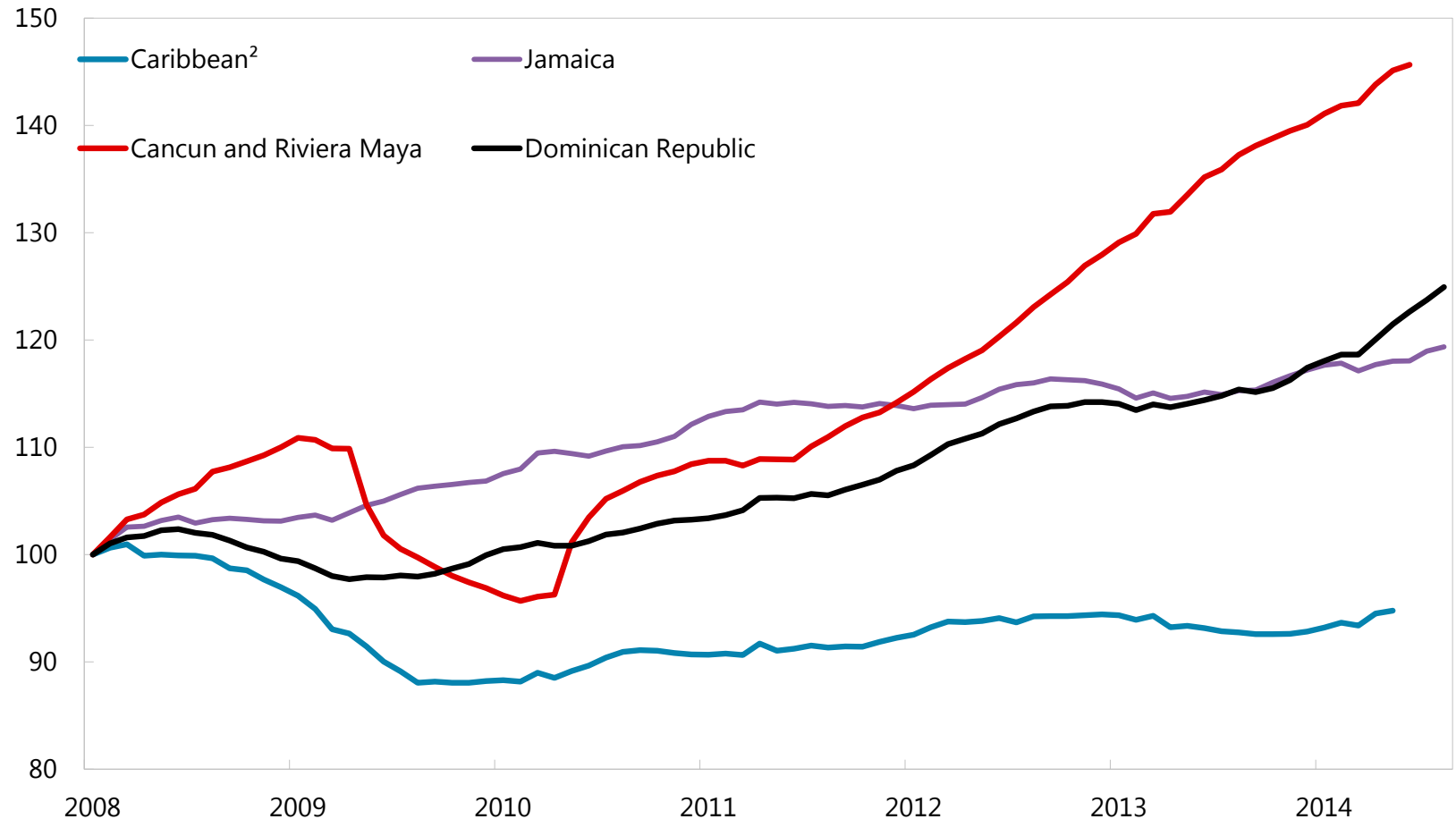
Note: Commodity exporters include Belize, Guyana, Suriname and Trinidad and Tobago; tourism-dependent economies include Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines.

...continuing a period of relatively low growth.



Tourism: growth, with upside potential

tourist arrivals\1



Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank; and IMF staff calculations.

¹ 12-month moving averages.

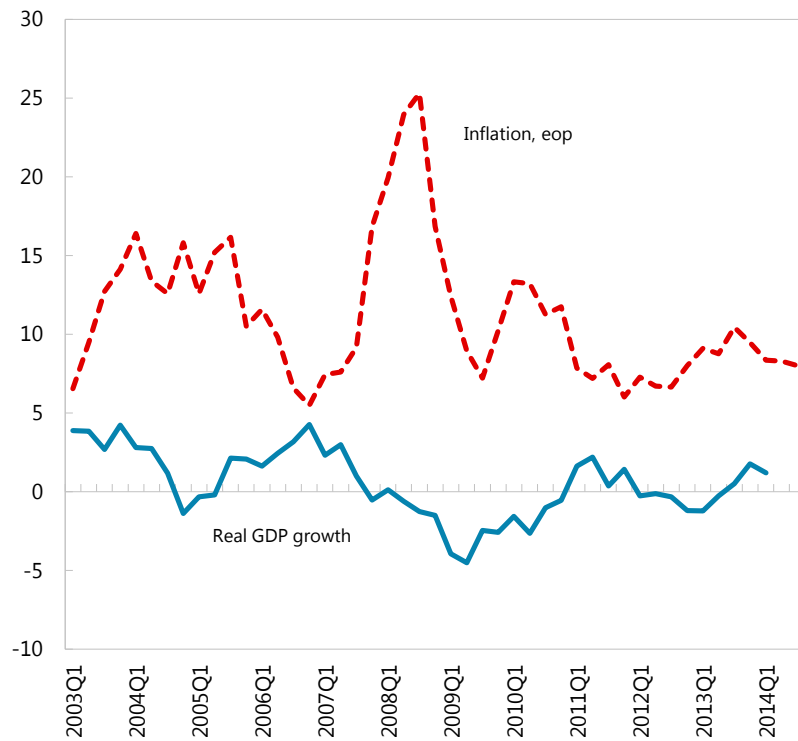
² Includes Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

Jamaica's Economic Reform Programme: Objectives and Strategy

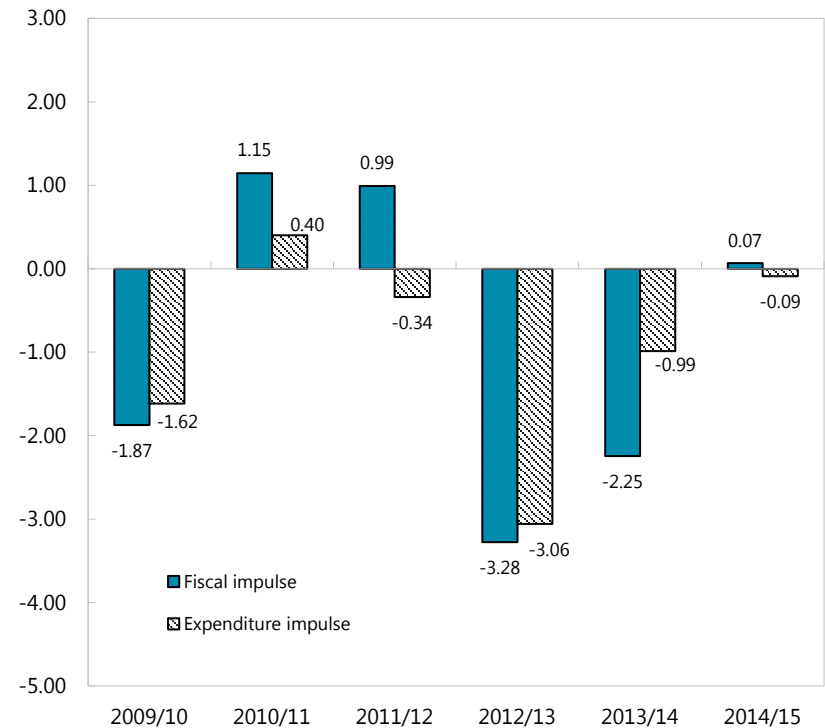
- Raising economic growth by restoring fiscal and debt sustainability...
- ... by improving the business climate....
- ... and by pursuing strategic investments in infrastructure...
- ... supported by broad agreement on the need to reform the economy...
- ... and policies to protect the most vulnerable.

Performance under the program has been strong, with tentative signs of a recovery, in spite of the negative fiscal impulse....

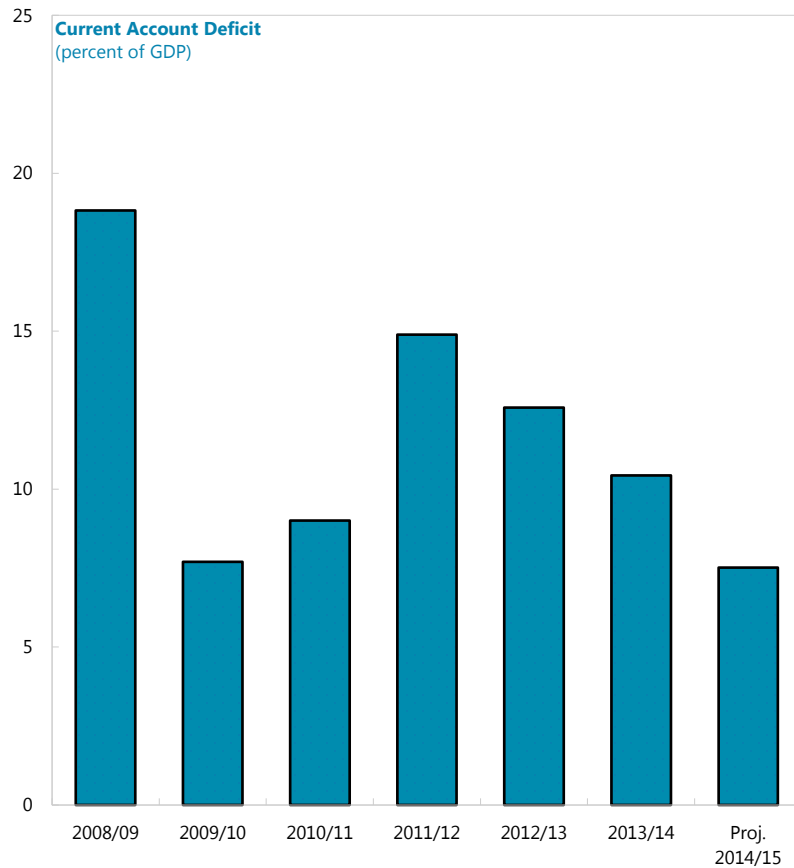
Real GDP Growth and Inflation
(percent change)



Fiscal and Expenditure Impulses: Initial Contributions to Growth in Aggregate Demand
(percent of previous year's GDP)

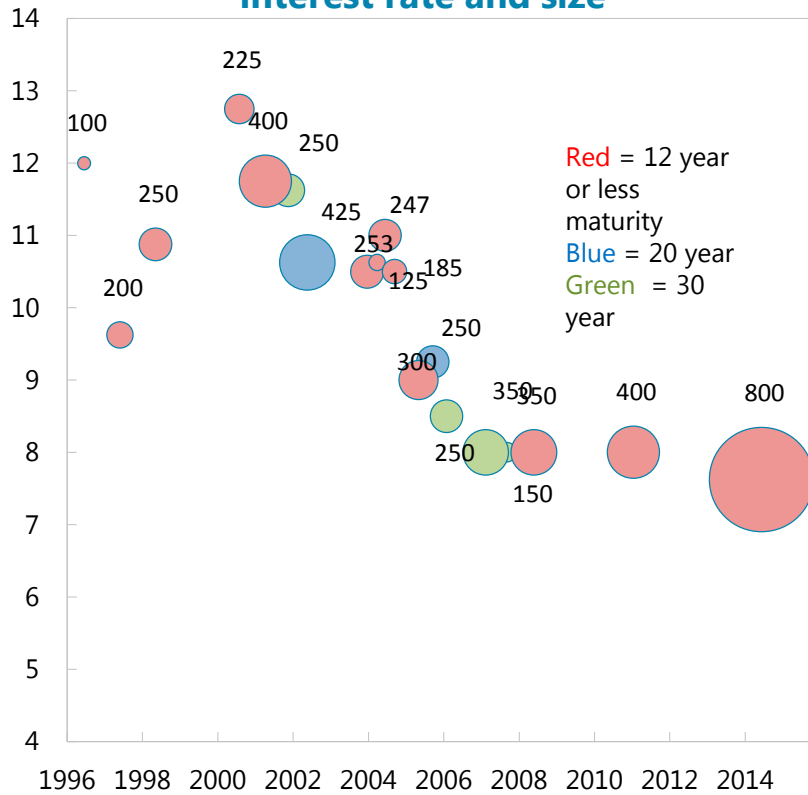


... increasing international reserves, and a lower current account deficit.

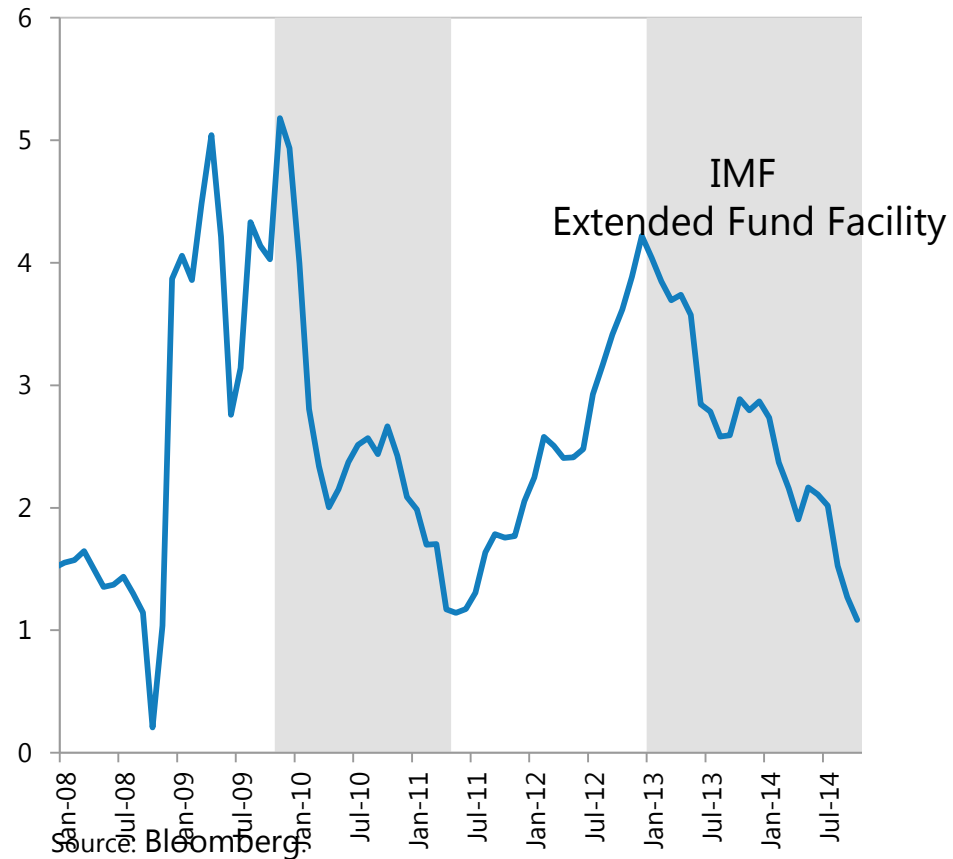


The July 2014 External Bond—a Vote of Confidence

Jamaican international US\$ bonds by interest rate and size¹



Jamaican Bond Spreads



¹The issuance in 2011 reflect re-opened terms for the 2008 bond.

Source: Bloomberg; Dealogic.

Jamaica's Economic Reform Programme: Key elements

- Tax reform
- Fiscal rule
- Public sector transformation
- Promoting growth
- Financial sector
- Social protection

Tax Reform

- Broadening the base and reducing rates
- Eliminating ministerial discretion in granting incentives
- Revenue neutral
- Effective from the start of FY2014/15
- Fiscal incentive legislation approved, November 2013.
- CIT: employment tax credit, increased initial capital allowances reduce effective tax rates
- GCT: broaden the base by eliminating the zero-rating of government purchases
- Upcoming reforms: property tax
- Further improvements in tax administration also very important

Fiscal Rule

- Limit annual budgeted deficits of the public sector to reduce debt to 60 percent of GDP by 2025/26.
- Automatic correction mechanism triggered by substantive cumulative deviations from the annual overall balance target
- Escape clause, limited to major adverse shocks and triggered only with parliamentary approval
- Coverage to include all fiscal activities associated with the public sector, as well as PPPs.
- Enforcement and compliance regime: transparency and accountability through parliamentary hearings
- Adopted by parliament in March 2014.

Public Sector Transformation

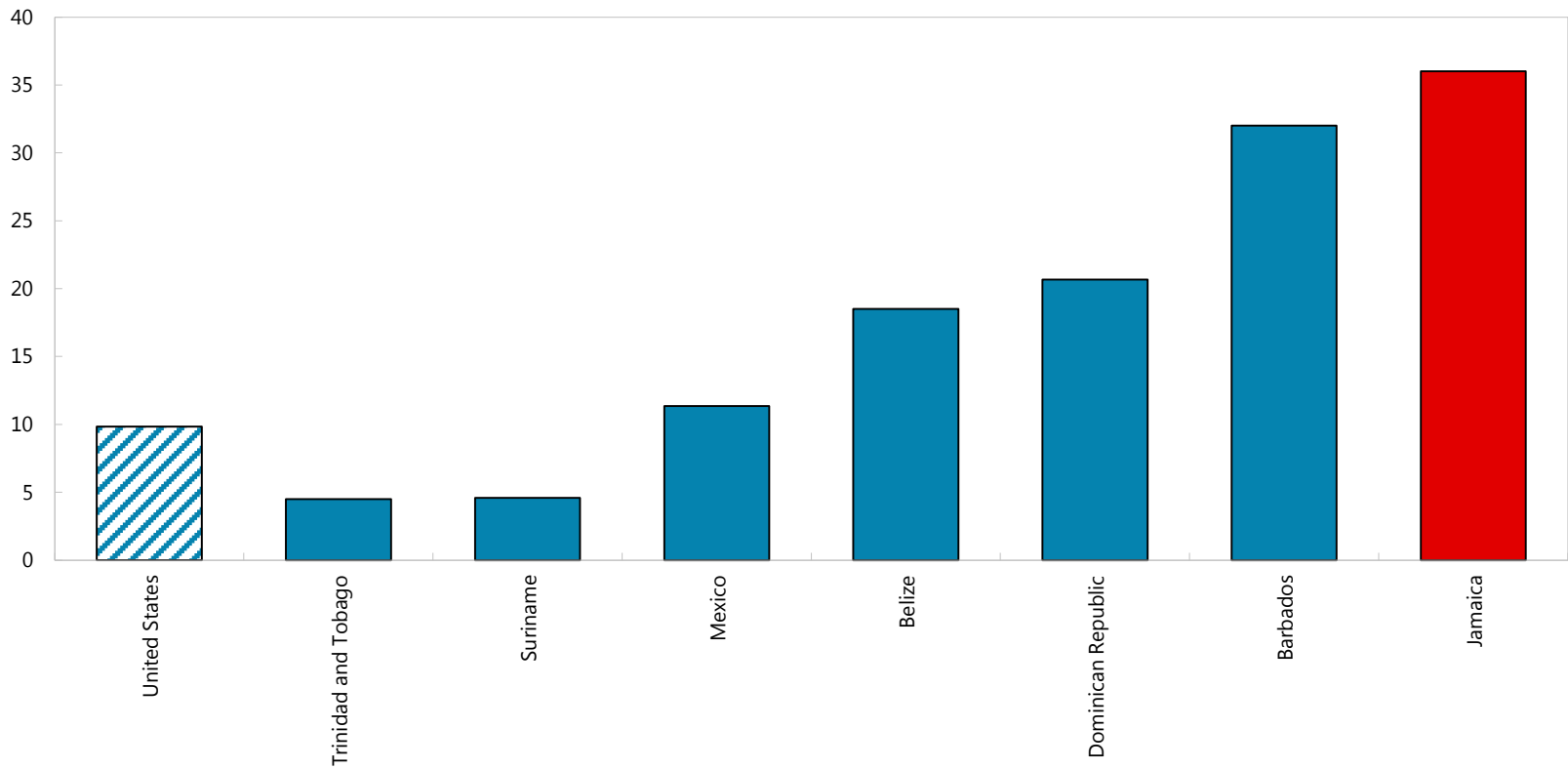
- Target for reducing the wage bill to 9 percent of GDP by FY2015/16
- Public sector employment e-census up to date, covering all Ministries, Departments and Agencies (September 2014)
- Action plan completed in September 2014 covers:
 - shared corporate services
 - Reallocation, merger, abolition and divestment/privatization of departments and agencies
 - Outsourcing of services
 - Strengthening control systems and accountability
 - Aligning remuneration with job requirements

Boosting Growth

- Demand side: replacing domestic demand by net external demand
- Reducing electricity costs
- Speed up construction permits
- Improve the ease of paying taxes
- Strategic investments to establish Jamaica as a logistics hub
- Reducing crime

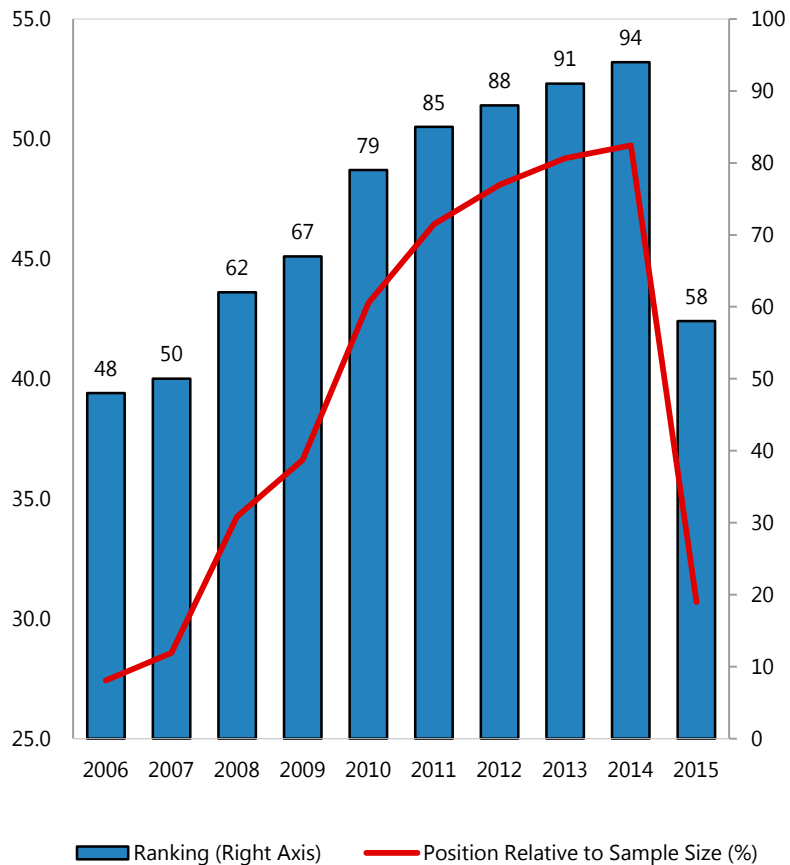
Electricity is too expensive...

Average Electricity Tariffs, 2012
(US ¢/kWh)

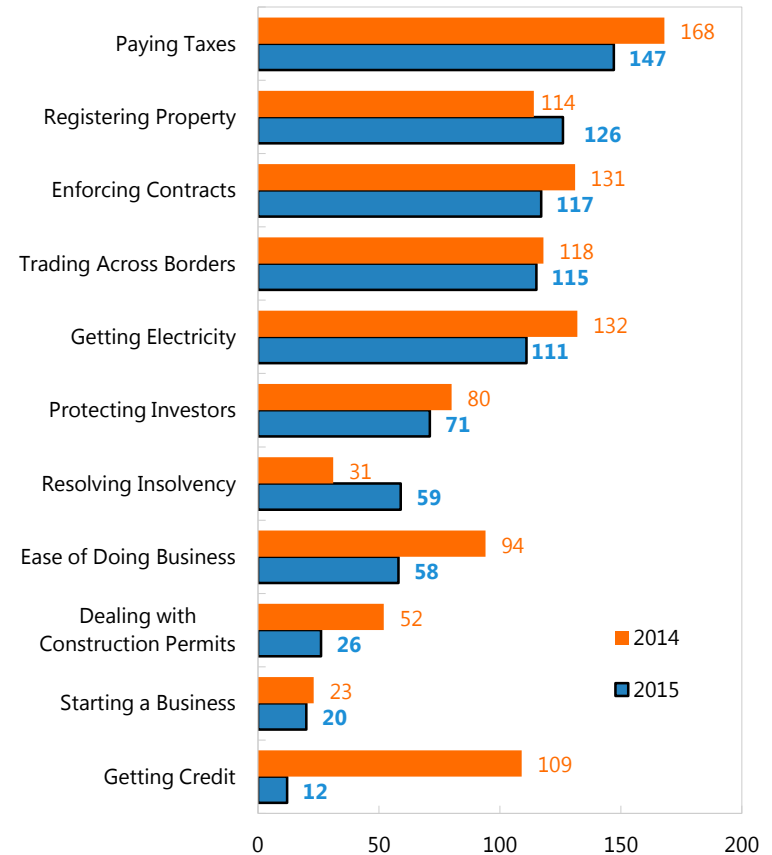


... and much remains to be done to improve the business climate—despite major recent gains.

Jamaica: Doing Business Ranking (2006 -2015)



Jamaica: Doing Business, 2014 - 2015 (rank out of 189 economies)



Financial Sector

- Maintaining adequate liquidity
- Reform of the securities dealers sector:
 - (1) Making alternative business models available to the sector;
 - (2) Securities underlying the retail repo to be transferred to a trust that will be responsible for their custody;
 - (3) A mix of regulatory measures to be applied to reduce the attractiveness of retail repos.

Social Protection

- Increase in PATH benefits in August 2013, to maintain their real value; another increase in September 2014
- Better targeting of PATH benefits through re-certification of 38,000 PATH households
- Floor for social spending under the EFF program (including for example conditional cash transfers, school feeding programs etc.)

Reform program supported by the IMF, IFIs, other donors.

- IMF Extended Fund Facility, approved May 1, 2013
- Four year, US\$950 million program (225 percent of quota)
- First review completed, September 30
- Second review completed, December 18
- Third review completed, March 19
- Fourth review, June 20
- Fifth review, September 24
- In total, 15 reviews are scheduled.

Thank you!

- Questions?