

***Building a New Future***

**Prepared Remarks for the Parish Chambers of Commerce and Industry**

**Brian Wynter**

**Governor**

**Bank of Jamaica**

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**Good Afternoon, Ladies and Gentlemen.**

I wish to thank the Jamaica Chamber of Commerce for inviting me to share with you some perspectives on Jamaica’s development path.

Our vision, as outlined in the Vision2030 document, is to make “***Jamaica, the place of choice to live, work, raise families and do business.”*** The Vision2030 plan identifies four strategic goals on which the paradigm for building a new future depends:

1. Jamaicans are empowered to achieve their fullest potential;

2.The Jamaican society is safe, cohesive and just;

3. Jamaica has a healthy natural environment; and

4. Jamaica’s economy is prosperous.

Realising these goals requires steadfast implementation of carefully crafted strategies. My remarks will focus on the fourth goal: building a prosperous Jamaica.

It has now become clear to most people that, if we are to realise our national vision, we have to change our approach to economic management on the macroeconomic level and also at the level of the firm. Our approach over the past several decades has given us low growth, high and unsustainable fiscal and balance of payments deficits and, of course, a national debt of crisis proportions. In our rapidly worsening circumstances and with increased risk aversion among investors in the aftermath of the global financial crisis, markets became less and less willing to lend to us. In this context, Jamaica developed a four-year economic programme, endorsed and supported by the IMF, which addresses the problems of high debt and low competitiveness.

To reinforce what you have no doubt read and heard, let me highlight that the principal objective of this programme is to reduce the national debt and raise the sustainable growth rate of real Gross Domestic Product, in other words, our national output. In order to achieve these objectives, the Government has committed to implementing revenue, expenditure and debt management measures, with some protection for social spending, to ensure that the debt goes down in relation to GDP. This commitment involves the achievement of annual primary surpluses of 7.5 per cent of GDP over the life of the programme. With this, the borrowing need of the Government has fallen sharply, leading to a steady reduction in the debt to GDP ratio to below 100 per cent by 2020 (from 147 per cent at March 3013).

The Government also intends to make the current fiscal responsibility framework stronger by developing strong fiscal rules. This will increase transparency, lock in the gains of fiscal consolidation and ensure that budgets will be sustainable even beyond the end of the four-year IMF agreement. The Government will also be reviewing public sector jobs and pay to improve the efficiency, quality and cost effectiveness of the state.

A central plank of the programme is the improvement of the tax system including tax administration. A Bill is now passing through Parliament to harmonise the tax treatment of charities across tax types and remove the Minister of Finance’s discretion to grant waivers to charitable organizations by making the process automatic for registered charities. The Government recently tabled legislation for a new tax incentive regime which will provide for a more transparent and rules-based incentive arrangement. The broader tax reform effort will mean lower effective rates that are applied to a broader base. These reforms will mean a more equitable treatment for the business sector as well as more certainty in the outcome of people’s interaction with the machinery of government. More efficient public financial management will also mean less bureaucratic impediments to doing business in Jamaica as well as a lower cost of service delivery.

These structural reforms are designed to provide an environment which is supportive of economic growth and employment creation. To kick-start growth, the government is aiming to implement catalytic, strategic, public private investments. Already, the government has initiated production in three agro-parks, aimed at import substitution. The objective is to develop nine such parks by 2014. The GOJ is also committed to improving the competitiveness of the economy through, among other policies, legislative and administrative changes. For example, the Government has tabled a Secured Interest in Personal Property Bill in Parliament and, by the end of this year, an Insolvency Bill should be tabled.

The Government has been moving to establish flexible work arrangements and improve access to skills training. Furthermore, initiatives to achieve energy diversification and conservation are in progress.

Supporting the impact of these reforms will the preservation of a stable macroeconomic environment through sound monetary and fiscal policies. This will improve Jamaica’s credit ratings which will allow Jamaican business to finance investments at lower interest rates. Already, Standard & Poor’s has raised our debt rating to B- from CCC+. The reduction in fiscal deficits and the public debt will also make more resources available to the productive sector and it will complement Bank of Jamaica’s thrust to achieve single-digit inflation within a flexible exchange rate regime. Our is to steadily reduce inflation to a rate in line with that of our major trading partners.

What has been achieved thus far? The four-year programme has 15 test dates; one relating to each quarter. So far Jamaica has successfully completed the requirements for two tests and we look forward to the IMF board confirming the results of the September test. This week the IMF said that “overall policy implementation under the programme is strong. All quantitative performance targets and indicative targets for end-September were met …”

Jamaica is on track to meet the fiscal targets for the current fiscal year. Despite the movement in the exchange rate and the increase in bus fares and utility rates, inflation this fiscal year will fall within the target range of 8.5 per cent to 10.5 per cent. We are also seeing encouraging signs of a nascent recovery in the September quarter and our confidence is increasing that growth of about 1 per cent will materialise for the fiscal year, in line with our projections.

Ladies and Gentlemen: the reforms that I discussed earlier are all consistent with Vision 2030 to make “***Jamaica, the place of choice to live, work, raise families, and do business”***. Let us all commit to its successful implementation as we collectively build a new future. Members of the private sector are acting as watchdogs to the programme to ensure that the Government adheres to its targets. Many businesses and households are contributing. Nonetheless, I urge the private sector to strengthen its commitment by increasing investments in real economic activities which will propel the economy forward.

Finally, let me continue to encourage all members of the JCC to actively engage in this process of reform. A wait-and-see attitude will only delay the creation of an economy in which all Jamaican children are assured of equitable access to modern education and training. Let us strive for an economy in which there will be advancement in national prosperity and full access to efficient infrastructure and reliable social services.

Thank you.