

**BUDGET DEBATE 2015-2016  
OPENING PRESENTATION**

**By  
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**STRONG FOUNDATIONS FOR GROWTH AND THE EXPANSION OF  
OPPORTUNITIES**



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## **INTRODUCTION**

### **Acknowledgements**

- At the outset of this budget debate, I wish to acknowledge the support and guidance of all those who have made it possible to continue in the discharge of my responsibilities in the Ministry of Finance and Planning.
- This list includes the constituents of East Central St Andrew, led by the councillors, the constituency executive and members of the various communities who have elected me to this Parliament and who continue to offer invaluable support and assistance no matter how difficult the challenges we face.
- I would also like to place on record my appreciation to the Most Honourable Prime Minister for her continued confidence and support, and to the other members of the Cabinet who have all accepted the need for the Economic Reform Programme and have provided valuable advice and support along the way.
- Among my parliamentary colleagues special commendation goes to my colleague, the Honourable Horace Dalley who shares the responsibilities in this challenging Ministry, and who has guided the public sector components with tremendous insight, dexterity and skill.
- I am confident that I express the sentiments of this Honourable House as I pay tribute to you, Mr. Speaker, for your stern guidance of the affairs of the House, and for helping to steer the ambitious legislative agenda attached to the Economic Reform Programme through this Honourable House.
- Our achievements to date would not have been possible without the support of the staff of the Ministry of Finance & Planning and its affiliated agencies. I would like to pay particular tribute to the Financial Secretary and the other members of the team at the Ministry of Finance and Planning; the Governor and staff of the Bank of Jamaica; the Director General and staff of the Planning Institute of Jamaica; the Financial Services Commission; The EXIM Bank; the Development Bank of Jamaica; and STATIN. This list is by no means complete, and I therefore also want to include all the other agencies in this tribute.
- Let me also acknowledge the selfless service of chairmen and members of the various Boards. Too often we fail to recognize that the government would not be able to function if not for the selfless commitment of the many Jamaicans from all walks of life who serve on various Boards as a civic duty, and, for the most part, without any consideration of remuneration.
- I now turn to the members of my advisory group, led by the Honourable Shirley Tyndall and Mr. Dennis Morrison, who answer every call and place their experience and capabilities at the service of the country.

- I include my own personal staff for the commitment and loyalty which they demonstrate in the long hours of overtime that remain unpaid and for their patience in coping with my own temperament.
- Most of all let me acknowledge that without the love and support of my family, especially my wife and children, it would have been nigh impossible to survive the rigours of public life.
- These acknowledgements, however, would not be complete without a special thanks to the thousands of Jamaicans for their love and support. Some write letters; others use their private mobile phones and there are those who walk up to me in the streets; or ask for a “one-away” at a private function; or even at church to express their thanks and appreciation for the effort we make. Very often their reassurances, advice and words of encouragement come at a particularly difficult time, and most will never know how deeply I am touched by their considerations or the extent to which they motivate me to make an even greater effort.
- I am always conscious of the guidance of the Almighty as the foundation on which I try to build a life of service.

#### **ENHANCED FISCAL RULE**

- This year the Budget Debate discussions can be safely described as ground-breaking. For the first time we have carried out the functions within the context of the recently updated fiscal governance framework. The enhanced framework, established through amendments to the Financial Administration and Audit (FAA) Act and the Public Bodies Management and Accountability (PBMA) Act and Regulations in March 2014 and January 2015, has created a new budget cycle which strengthens the rules governing preparation and approval.
  - Under the enhanced fiscal governance framework:
    - i. the annual Estimates of Revenue and Expenditure must be tabled at the same time, and in time for their approval by both Houses of Parliament no later than March 31<sup>st</sup> of the year preceding that to which the estimates relate;
    - ii. all the supporting documents are to be tabled with the Estimates of Revenue and Expenditure. These include the Fiscal Policy Paper, the Public Bodies Report, the Debt Management Strategy and the Tax Expenditure Report;
    - iii. the Auditor General’s review of the Fiscal Policy Paper must be completed within two weeks and submitted to the Speaker of the House for the meeting of the Standing Finance Committee; and,

- iv. the tabling of the Appropriations Bill must take place no later than one week after the Standing Finance Committee has completed its examination of the Estimates of Revenue and Expenditure.
- Mr. Speaker, I am particularly pleased that this new process has been successfully implemented despite the few challenges. Mr. Speaker, I also wish to thank the many persons, including those from within this Honourable House, who have offered suggestions and to advise them that discussions have already begun with a view to further strengthen the process.
  - Mr. Speaker, an important point that I must emphasize is that the enhanced fiscal rules are expected to outlast this, and succeeding administrations. Strengthening the fiscal rules by providing greater transparency and accountability in fiscal governance through the enhancement of the roles of the Auditor General and the Parliament can only serve to improve the strength of our democracy.
  - These new procedures deserve the support of all Jamaicans, regardless of political, social or economic differences. On both sides of the House we have the collective responsibility to ensure that the benefits that have been achieved, as a result of the sacrifices being made by all Jamaicans, are safeguarded. We must consolidate these gains by constructive debate and informed dialogue, so that we never return to the privations that we now seek to cure.
  - **Mr. Speaker, so far, so good.**
  - However, even as the foundations on which we build are being strengthened, we must seize the time to expand opportunities.

#### **ASSESSING THE ECONOMIC REFORM PROGRAMME**

- Mr. Speaker, three years ago this administration launched Jamaica's Economic Reform Programme. It was appropriately captioned "*A New and Binding Covenant for Stability, Equitable Growth and Prosperity*".
- Needless to say, the covenant was between the administration and the people of Jamaica since only such a partnership could achieve those objectives.
- While I have been making regular progress reports, I want to use this presentation which opens the 2015/16 Budget Debate to provide a comprehensive assessment of our performance over the three years of the programme to date. In the process, I want to address some of the questions that are uppermost in the minds of Jamaicans:
- Are we on track? Where have we reached? What are the challenges we presently face? And finally, what are our prospects as we mobilise the entire

country to achieve the equitable growth that will form the basis of our prosperity in the years to come.

- Let me begin by taking time to emphasize a fact which often gets blurred in the public debate. The Economic Reform Programme which is underway is Jamaica's programme – a programme which we would have had to undertake with or without IMF support.
- Mr. Speaker, we welcome the support of the IMF through the Extended Fund Facility and technical assistance provided. This support was critical to our success in restoring Jamaica's trust worthiness in the international community. Let me remind my colleagues that the IMF support is a seal of approval of the policies being undertaken which allows us to unlock other international resources – both from governmental sources and private international financial institutions. In short, the support of the IMF together with the assistance of other developmental institutions, has made the critical difference to the successful implementation of our capacity building programmes for fiscal administration and other financial sector reforms.

#### **WHY WAS THIS PROGRAMME NECESSARY?**

- This question can be answered in one word: **DEBT**. Jamaica, over the years has built up an unsustainable public debt stock which for the past forty years has acted as a millstone around the neck of every Jamaican.
- I should remind you that at the start of the Programme public debt, as defined under the Extended Fund Facility, was approximately 145 per cent of GDP. In the context of the rupture in the relationship between Jamaica and the IMF (and our other development partners) in 2011, following the then administration's abandonment of the Stand-by Agreement, our debt was patently unsustainable. We were closed off from Capital Markets. No one would lend us money at affordable rates. Our reserves were dwindling; investor confidence was diminished and debt repayment was eating up the bulk of our budget and our revenues.
- Let me be clear and fair. This build-up of debt did not happen overnight. Neither was it borrowed from the IMF. It was successive Jamaican governments that borrowed and spent the loans equally which created the debt. We must acknowledge as a country that we failed over the past four decades to sustain economic growth. Average purchasing power of income per person in 2012 was the same as it was 40 years ago.

#### **ACHIEVEMENTS OVER THE LAST FISCAL YEAR**

##### **Honouring our Commitments**

- Since the start of the Extended Fund Facility in May 2013, we have been honouring our commitments to the stakeholders. We have honoured the commitments to the workers who by their wage restraint agreements contributed to meeting the prior conditions stipulated under the Programme.

And we have honoured all our commitments to other stakeholders, including our creditors and the international community.

- I should remind this House, however, that even though there was the wage restraint agreement, we met the obligations to the workers which had been entered into by previous administrations, including:
  - payments due under the health sector reclassification agreement;
  - 7% back-pay to public sector workers;
  - back-pay to teachers; and the
  - Outstanding wage payments in relation to salary realignment for correctional officers and firemen.
- In addition, we have met our obligations to pensioners, financial institutions and others. Mr Speaker, this administration takes special pride in meeting our obligations to these Jamaicans whose critical support for the programme has put us on the path to debt sustainability.
- To meet our commitments to full transparency, we established the **Economic Programme Oversight Committee (EPOC)** and their regular reports have kept Jamaicans abreast as to our progress.
- The fiscal discipline we have imposed on ourselves will enable us to make the first major repayment of \$62B, as scheduled, on maturing bonds issued under the National Debt Exchange, which comes due next February (2016).

#### **IMF QUARTERLY REVIEWS**

- Mr. Speaker, this is a matter of some pride for us. The record shows that we do not take our commitments lightly when we enter into agreements. We meet our obligations. We have successfully completed six consecutive quarterly tests and, based on the positive mission report from the Fund, I have every expectation that by the end of this month the Board would have approved the 7<sup>th</sup> quarterly review.
- Mr. Speaker, let me pause to emphasise that the **passing of these IMF tests** has been the critical factor in restoring Jamaica's trust worthiness in the international community.
  - **It is the passing of the IMF tests** that enabled Jamaica to re-enter the global capital markets and secure the lowest rate of interest ever secured by Jamaica.
  - **It is the passing of the IMF tests** that has made Jamaica more and more attractive to investors both local and foreign.
  - **It is the passing of these IMF tests** which has helped to create the present favourable economic environment in which business confidence is at one of its highest levels since they have been conducting the business surveys.

- **It is the passing of these IMF tests** why consumer confidence is growing in Jamaica.
- Of particular note is that “*an all-time record number of firms voiced their intention to increase their investments in their own business during the year ahead*” (quote from the Survey of Business Confidence). All of these things translate ultimately into better opportunities for our people; better prospects for employment and earnings and investments in our educational system and in the health sector.

### **IMPROVEMENTS IN MACROECONOMIC ENVIRONMENT**

- **What other positive outcomes have been achieved and what improvements in the macro-economic environment have resulted?**
- You will recall that the major *raison d'être* for the Economic Reform Programme was the stranglehold of debt; it must therefore be a source of relief for every Jamaican that our debt is on a downward trajectory. The most reliable measurement of the stock of debt in any country is the debt to GDP ratio because it gives an indication of the capacity of the country to repay its debts. In Jamaica dollar terms, the debt to GDP ratio which stood at 145.7 per cent at the end of 2013/14, is projected to reduce to 139.7 per cent of GDP at the end of 2014/15 and is scheduled to be 130.7 per cent of GDP at the end of fiscal year 2015/16.
- I need to point out to this honourable House that the debt would have been further reduced at this point, but for the fact that we took a deliberate decision last year to borrow more than had been programmed, in order to make certain that we would be able to honour our commitments to bondholders that are due to be repaid this year.
- We were able to borrow US\$800M at the lowest rates ever obtained by Jamaica, instead of the US\$500M that had been originally sought. At the time the decision was taken, the expectation was that the uncertainties in the global capital markets and the possibility of rising interest rates in the United States clouded the prospect of Jamaica raising the equivalent funds later on at acceptable rates.
- As a consequence of this, we have been able to guarantee our debt repayment for more than a year and to engage in more ambitious debt buy-back arrangements than had been previously anticipated. It was a sound economic decision confirmed not least by improvement in the outlook of Jamaica's credit rating.
- Another area in which we assess our progress is the state of our **Net International Reserves** which at the end of February stood at US\$1.91B, with gross reserves covering approximately 17.1 weeks of imports of goods

and services, comfortably above the international benchmark of 12 weeks of imports of goods and services.

- The country's **balance of payments deficit** on the current account continues to decline. The forecasted outturn on the current account for the fiscal year 2014/2015 is 5.3 per cent of GDP influenced both by a containment of domestic demand as well as the decline in related imports (including oil) and the improvement in economic conditions in our main markets.
- Simply put, the **current account deficit** measures the amount we spend overseas as against the amount we have earned. When we do not earn enough we have to make up the difference by capital inflows and borrowing if we are to maintain the same level of consumption and also maintain a healthy level of foreign reserves at the Bank of Jamaica. Let me remind the country that at the beginning of the programme in 2011-2012 the current account deficit was 13.4 per cent of GDP. Today it stands at 5 per cent of GDP and is moving downwards.
- We can actually contemplate the time when we will not have a deficit, but a surplus on our balance of payments current account.

#### **I now turn to unemployment.**

- The average **unemployment rate** for 2013 was 15.2 percent. By 2014 the average unemployment rate had been lowered to 13.7 per cent. For us this is still too high, but there is no doubt that we are heading in the right direction.

#### **INFLATION RATE**

- The **inflation rate** for calendar year 2013 was 9.5 per cent. We can now report a significant reduction in the inflation rate for calendar year 2014 to 6.4 per cent. The anticipated improvement in the inflation rate over this fiscal year is even more remarkable. We anticipate a further reduction in the inflation rate for 2014/2015 which is expected to fall to approximately 5 per cent, or below, compared with the 8.3 per cent that was recorded in the previous fiscal year. Again we are moving in the right direction. The last fiscal year recording inflation lower than this was 1971/1972, some 43 years ago (4.4%).
- In the context of contained inflation, the bolstering of the Bank of Jamaica's gross reserves by the proceeds of the US\$800M bond and the improved Jamaican dollar liquidity, domestic interest rates declined during the year. Average yields on the Government of Jamaica 30-day, 90-day and 180-day instruments declined. Similarly there was a downward trend in the average yields on GOJ global bonds.

- To summarize - inflation, the current account deficit, the debt to GDP ratio, unemployment and Net International Reserves are all moving in the right direction.
- **Mr. Speaker this is progress.** All indicators point to the growing competitiveness of our exchange rate and even stronger rates of investment activity and job-creation.
- We should remind this Parliament, and the country also, that the Economic Reform Programme does not simply involve running a high primary surplus and expenditure restraint, necessary though that has been, but the programme involves as well, the implementation of far-reaching structural reforms aimed at making the Jamaican economy more competitive, efficient and able to make its way in the highly integrated and competitive globalized world of the 21<sup>st</sup> Century.

### **LEGISLATIVE REFORM**

- This past year, we have continued our ambitious legislative calendar – we passed the **Insolvency Act** and introduced a new **Electricity Act**, and a new **Procurement Bill** has been tabled in the Parliament and is currently being considered by this House. We have established a **Collateral Registry** under the **Secured Interest in Personal Property** legislation. We have strengthened the administrative powers of Tax Administration Jamaica (TAJ) through legislation and introduced an electronic platform for the payment of taxes. We have streamlined business registration and the development approval processes to achieve a 90 day window for development approvals. And we have also improved the operations of Jamaica Customs.
- It is as a result of this new legislative framework together with the general improvement in the macroeconomic environment that the international community is not only taking note, but acknowledging our progress.
  - The **World Bank's Doing Business 2015 report** showed an improvement in Jamaica's ranking from number 85 to number 58 out of 189 countries. Of note, is that Jamaica is now the best rated country in the English-speaking Caribbean and one of the most improved globally.
  - Jamaica has also moved up eight places on the **Global Competitiveness Index** and is now ranked 86 out of 144 countries for 2014/15; up from number 94 in 2013/14;
  - The **2014 Forbes Best Countries for Business Report** ranked Jamaica 64 out of 146 nations making it the best country in the Caribbean region to do business and third in Latin America and the Caribbean. **These are achievements for which all Jamaicans should be proud.**

- We should remember, too, that over this past fiscal year the country implemented the most far-reaching tax reforms that have been done over the past 20 years or more. We have introduced a suite of legislation designed to revamp our previous system of fiscal incentives (Customs Tariff Resolution, Stamp Duty Order, Fiscal Incentives Act and the Income Tax Relief Act). These include:
  - **Amendment of the Customs Act** – effectively reducing duties on commodities and eliminating duties on all productive inputs, including intermediate goods.
  - A new **Fiscal Incentives Act** which introduced Employee Tax Credits to relieve the investor of the potential cost of statutory deductions and provided for more generous capital depreciation allowances to amortize the value of the investment over the realistic life of the investment.
  - The net effect of these changes has been to substantially incentivize the productive sectors and improve the rate of return on investment.
- This road has not been an easy one. Our progress has been achieved as a result of sacrifices made by public sector workers, the bond holders and pensioners; indeed the tax payers generally to whom this administration and this Parliament, and this country will forever be indebted. It is as a result of these sacrifices that we have been able to lay strong foundations on which we can now build confidently.

### **SOCIAL PROTECTION EXPENDITURE**

- Mr. Speaker, let me remind this Honourable House that despite the fiscal constraints this administration has met its social obligations, and even as we implement the Economic Reform Programme we have met the obligation to protect the most vulnerable sections of the population.
- Under the Extended Fund Facility we established a Social Spending Floor and committed to ensure that the overall level of real spending on critical programmes in health, education, social security and youth employment is maintained each year. This is unique in the history of IMF Programmes and we are proud that **we** insisted on it.
- Since 2012 we have increased payments to PATH beneficiaries by 30% with the elderly receiving a 67% increase.
- Because of our concern for our children, especially those who are most needy, we have instituted a Transport Allowance under the PATH Programme in order to ensure that these children attend school. **\$72m** has been allocated in this budget.

- We have strengthened the School Feeding Programme moving the budget from **\$3.5b** in 2012/2013 to **\$4.4B** in 2015/2016. Over the past two years the programme has been expanded to benefit more children and increase the nutritional content of lunches through partnerships with Rural Agricultural Development Agency and the Jamaica Agricultural Society to utilize local produce, fruits and eggs. We have recently instituted a Breakfast programme at the Early Childhood level which will see 70% of these children receiving free breakfast.
- It is because of our recognition of the difficult circumstances facing so many vulnerable Jamaicans that we have implemented the Jamaica Emergency Employment Programme (JEEP) which today, has provided employment for more than 50,000 Jamaicans at an approximate cost of \$8b.
- It is because of our recognition of the plight of some of the vulnerable elderly that we have each year, ensured that government pensioners continued to receive an increase in their pension benefit. We are happy to announce to the Pensioners Association that for this year we have provided an additional \$600m for existing pensioners, an increase of 20% over 2014/2015.
- Between September 2012 and January 2014 we have twice increased, both the National Minimum Wage and the Minimum Wage for Industrial Security Guards.

### **LOOKING AHEAD**

- There is no doubt that the fiscal reforms undertaken so far have carried us into a new ball game in which there are new and existing economic possibilities and opportunities for investors at every level.
- This new environment is defined by the implementation of the new fiscal rules and the associated legislation regarding debt management, insolvency rules, secured interest in personal property, etc. These changes will be protected forever.
- As I have already indicated, our debt has been reduced and is on a path that the financial markets have enthusiastically endorsed. Inflation will be the lowest in living memory. And though some of this is attributable to oil prices, a lot of it is the result of the reforms of the past three years and in turn will present the country with major opportunities, arising from the lower interest rates and more competitive exchange rate. This low inflation environment presents a more stable platform for growth and long term investment.
- We have to protect and build on these gains which have resulted in macroeconomic stability, predictability and growth in critical sectors. Understandably, many want to see more expenditure in every area of the budget, and without doubt there are needs in many areas. However, the fact

is that when we decide to spend less we also borrow less; and the benefit to investors is the continued scope for the reduction of interest rates and more productive investments and job creation.

### **FINANCIAL SECTOR REFORM**

- In addition to maintaining fiscal stability there are other reforms that will need to be undertaken to strengthen the foundations of our financial sector and to improve the efficiency of the public sector.
- The amendments made to the Banking Services Act over the past year will enhance the safety and soundness of the regulatory system for deposit-taking institutions. Later this year, a new framework will be implemented which will see changes effected in the retail repo markets to strengthen the protection for investors in that market.
- We will also be bringing legislation to Parliament later this year to assign institutional responsibility for safeguarding overall financial system stability to the Bank of Jamaica.
- The legislation will mandate the establishment of a Financial System Stability Committee, that will coordinate the activities of the regulators in maintaining financial system stability. It will make provisions for enhanced oversight of financial institutions whose operations are deemed to be of systemic importance. The legislation will grant the necessary powers to Bank of Jamaica to obtain information from systemically important financial institutions so that risks to the entire financial system can be assessed, and to take measures to mitigate and control those risks.

### **FINANCIAL INCLUSION**

- On the matter of financial inclusion, I have initiated the preparation of a national strategy which will be completed during this fiscal year. This strategy will be a roadmap of policies, programmes, projects and actions that stakeholders will follow to improve financial inclusion.

#### **What is financial inclusion?**

- By this I mean a financial system that makes available good-quality financial products and services to all Jamaicans, including those who were previously unbanked or underbanked, at affordable costs and through appropriate, effective channels.
- It is true that Jamaica enjoys the benefit of a robust and diversified financial sector that has, through testing times, demonstrated its resilience, its adaptability and its capacity for innovation. We need to build on this strength and direct this capacity for innovation towards the development of viable business models for low-income customers through accessible deposit accounts and full exploitation of the opportunities presented by mobile payment platforms.

- This will also include continuing to expand access to affordable credit for the MSME sector through programmes such as DBJ's partial credit guarantee programme which I will say more about later. We will also use this vehicle to explore and develop innovations in housing finance. We will also be devising a more comprehensive framework for consumer protection in financial services and furthering our efforts to improve financial literacy so that consumers are empowered to gain the best advantage from a diversified and competitive set of financial service providers.

#### **PUBLIC SECTOR TRANSFORMATION**

- The second major task to be undertaken relates to public sector transformation. Let me be clear, we do not share the view of those in the society who see public sector transformation as a synonym for lay-offs and redundancies. **I REPEAT, THAT IS NOT OUR VIEW.**
- What we are referring to, when we speak of **public sector transformation and modernisation** is the process by which we will restructure public sector institutions to establish systems that are efficient, flexible, responsive and accountable.
- We need a public sector which sees its role as facilitating every member of the public whether they are small, medium or large. We need a public sector that is able to deliver critical social services, such as education and health as well as the effective management of crime and anti-social behaviour. Every citizen of Jamaica must become the centre of concern of a public service that offers service that is courteous, effective and timely.
- In order to ensure that we deliver on this undertaking, the Government of Jamaica has developed an Action Plan for Public Sector Transformation with an initial set of projects. As soon as these projects are completed, additional activities will be placed in the Action Plan in order to ensure that public sector transformation is sustained over time.
- Among the specific projects to be implemented in the course of the year is the second phase of the **Automated System for Customs Data (ASYCUDA)**. The targeted date for this phase is June 2015.
  - The **Automated System for Customs Data World (ASYCUDA)** is a customs management system designed by the United Nations Conference on Trade and Development (UNCTAD) to administer customs functions through automation and control core processes. The system, which also provides timely, accurate and valuable information to support monitoring and planning for customs purposes, will facilitate importers and exporters among other users of Customs services.

- **The E-Trade System** is a system being developed by e-Gov Jamaica Limited to upgrade and coordinate the automated licensing and permitting systems in Jamaica's regulatory agencies in the Ministry of Agriculture & Fisheries, the Ministry of Health and the Ministry of Industry, Investment and Commerce.
- **The Single Trade Electronic Window** is a facility that will allow traders to lodge documents in an electronic format to a single entry point to meet import, export, and transit-related requirements. That single entry window will link users to coordinated automated trade systems and will connect trade related agencies and organizations through a single interface creating a seamless process for traders.
- Of particular note is the **AMANDA system** which has already been implemented in all parish councils and in eight referral agencies. Its objective is the reduction in the length of time for development approvals.
- Mr. Speaker, in relation to the development approvals process, the Ministry of Local Government and parish councils are to be commended for having achieved the 90-day approval threshold for all those approvals that do not require environmental assessment. In the course of this year all relevant agencies will be using the AMANDA software and this is intended to include the commenting and other referral agencies.
- Of strategic importance too, will be the re-engineering and automation of the application process at the **Government Electricity Inspectorate**. This will make it easier for applicants to access the service in a timely manner and remove the difficulties and delays that many developers now face.
- **Shared corporate services** - Of particular note is the decision of government to improve efficiencies of the public sector by moving to a system of shared corporate services across ministries and departments to address system wide inefficiencies. The Cabinet has already decided to implement shared services in terms of the legal services provided by the Attorney General's Chambers and in relation to human resource management services.
- Over time, all these changes will culminate in the emergence of a more efficient, nimbler and better paid public sector. As we build the capacity in the public sector for speedier decision making and more timely responses and accountability management, we are simultaneously developing a remuneration and staffing policy to support these changes.

#### **LABOUR MARKET REFORM**

- One achievement which we take pride in as a country, has been the creation of a modern industrial relations framework which underpins an essentially harmonious relationship between workers and their employers, and which

protects the interest of both groups. However, there are still elements of our industrial relations practices which need to be updated to conform to the requirements of today's global environment.

- Last year, after many years of consultation, the flexi-work legislation was passed. This legislation will create the environment for enhanced productivity and will allow employees to negotiate a more flexible work schedule with their employers. More needs to be done, however, to ensure that our industrial relations practices and the operations of our labour markets generally, facilitate higher levels of productivity and are compatible with modern labour market practices. The critical factor here is the incorporation of the most up-to-date technology and innovations in the production process.
- To this end, the government has established a new **Labour Market Reform Commission** which will be chaired by Dr. Marshall Hall and will be comprised of representatives from the trade unions, employers, academia and the public sector. The Commission is to be supported by a secretariat which will operate out of the Planning Institute of Jamaica and be coordinated by Dr. Lloyd Goodleigh.

## **GROWTH AGENDA**

- Growth Projections
- **Strategic Investment**
  - Agro Parks
  - Business Process Outsourcing
  - Energy/Electricity Generation
  - Tourism
  - Infrastructure
- Development Bank of Jamaica/ MSMEs



## **GROWTH AGENDA**

- The central preoccupation that concerns all of us is the achievement of sustained increases in production and job creation. In a word: GROWTH. The economy returned to growth in 2013. This was sustained through the first quarter of this fiscal year. However, the growth momentum was set back as a result of the impact of drought conditions that wiped out much of the agricultural sector.

## **GROWTH PROJECTIONS**

- The baseline growth projection for 2015/2016 is 1.6% although I should point out that the IMF's projection differs and is more optimistic than our own. Be that as it may, the efforts of the Cabinet seek to realise the upside potential and exceed the baseline estimates resulting from better coordinating and implementation of these projects.
- In considering the issue of growth, it is important for me to emphasize that the problem does not relate to a short term fix of essentially cyclical conditions. The fact is that we do not have an already existing productive capacity, such that all we would need to correct for are the effects of a short term contraction in the market by spending more money to increase demand. On the contrary, Jamaica's experience of low growth has existed for a long time. Over the past four decades growth has averaged less than 1% per annum.
- The record of the previous administration confirms that achieving growth is a challenge. Between 2008 and 2011, there were twelve consecutive quarters of negative growth. Part of this, without a doubt, was attributable to the global market conditions. But the low growth rate is more so reflective of a longer term structural condition of low productivity and a lack of competitiveness that has existed for decades.
- The implications are clear - establishing effective foundations for sustained economic growth involves a longer term solution and a much more comprehensive set of reforms than is implied in much of the current public debate.
- The critical planks of the strategic growth agenda which we are currently pursuing may be summed up as follows:
  - First of all, **fiscal consolidation**; which centres upon the reduction of the deficit and the debt; tax reform efforts to increase investment activity; public sector transformation; control of inflation and financial sector stability.
  - The second plank involves the reforms and **improvements to the business environment** that make our economy more competitive. While substantial gains have been made as reflected in the

Competitiveness and Doing Business surveys, this is still a work in progress. It will only be completed when we reform the financial sector and secure sustained downward movement in lending rates, even as we broaden access to financing for business start-ups and establish venture capital funding.

- It will also require **improving the efficiency of the main public sector entities** that interface with the public such as the Bureau of Standards, Jamaica Customs, environmental agencies and parish councils, for example. And it will involve continued reduction in the price of electricity for the productive sector.
  - The third plank involves the **development of human capital and increasing the productivity of the labour force**. I already indicated some of the measures currently being implemented such as flexi-work and labour market reform. However, we still need to address education, skills training and other labour productivity enhancing measures and reforms that will need to be undertaken.
  - The fourth plank of the growth agenda are the investments in strategic projects that can act as catalysts to accelerate the growth momentum, expand employment and enhance, in the near term, the productive capacity of the country.
- Today, we lay in this House a document summarising our Growth Agenda which reflects our commitment to transparency and accountability.

### **STRATEGIC INVESTMENT**

- I now turn my focus to some of the critical strategic investment projects:

#### **Agro Parks**

- Let me begin with the agro parks initiative. The primary objective is to bring under-utilised rural land and labour into a more efficient agricultural production system. As a result, crops are being produced at competitive prices to facilitate import substitution, enhance the agricultural supply chain, deepen industrial linkages and increase food security.
- Eight agro parks have already been successfully established and another is to be completed before the end of FY 2014/2015. The Agro Parks when fully implemented are expected to impact some 5,000 Jamaicans directly and indirectly, as investors, farmers and workers and have brought into agricultural production approximately 3,280 hectares of under-utilized land. Twenty-One additional agro parks are to be built over the period 2015/2016-2017/2018.
- An important feature of the Agro Parks initiative is the utilization of adequate irrigation systems. Our failure to modernize the infrastructure in the

agricultural sector has left our farmers, particularly in the domestic food sector vulnerable to droughts. Our traditional approach has been to focus our investments in irrigation on a few export crops, such as sugar and bananas, leaving our non-traditional production to rely on rainfall. The development and expansion of the agro parks will over time modernize the agricultural sector.

### **Business Process Outsourcing**

- I now turn to an exciting and vibrant area of economic activity - the **business process outsourcing (BPO) sub-industry** which is presently making a major contribution to employment generation and augmenting economic growth. A National 5-Year Strategy for the expansion of the sector which, all things being equal, should increase employment from the current levels of 15,000 to 30,000 by 2020 will be submitted to Cabinet shortly.
- A strategic objective is to move Jamaica up in the value chain in the BPO industry from simple call centres up to knowledge processing centres, outsourcing more professional services such as legal and accounting support, software development and technical support service. No doubt the Minister with responsibility for Industry, Investment and Commerce will speak further on this initiative when he comes to participate in the Debates.
- I am confident that the sky is the limit in relation to this sector. In recent months we have seen the construction and lease of 50,000 square feet of space in the **Barnett Tech Park** and plans are being finalized for construction and leases are being negotiated for another 100,000 square feet. A 70,000 square foot facility in Kingston (formerly the Claro building) is now being used for BPO operations on the basis of a local investor purchasing the building. In **Mandeville** a 70,000 square feet BPO facility has been completed. All told the sector is expected to add at a minimum another 6,400 jobs in 2015/2016.
- To enhance the employment generating capacity and profitability of the investments mentioned in the BPO sector, the Growth Agenda Subcommittee of Cabinet will be giving oversight to JAMPRO in the provision of financing support for infrastructure development and training, as well as an aggressive marketing strategy.
- I have noted that concerns have been expressed regarding the nature of the tax regime to be applied to the sector at the end of the free-zone regime. I have asked the Incentive Working Group to hold consultations with the sector and with the Ministry of Industry, Investment and Commerce in order to ensure that we attain an internationally competitive fiscal regime in the sector.

## **Energy/Electricity Generation**

- Continued reduction in Jamaica's cost of energy is an essential prerequisite for sustained growth. Cabinet last year appointed the **Electricity Sector Enterprise Team** (ESET) to develop a programme to modernise electricity generation and related facilities in the short term in order to significantly reduce the cost of electricity.
- The recommendations by the team which the Government is committed to implement include the following:
  - **The conversion by JPS of the Bogue Power Plant to gas.** This is targeted to be completed by the end of this calendar year (2015);
  - **The establishment at ALPART of a 140MW Gas Turbine Cogeneration plant** by UC Rusal which will sell electricity under a power purchase agreement to JPS; and,
  - **the replacement of a significant portion of JPS' base-load capacity** by the company with a 190 MW Gas Turbine Power Plant.
- Mention should also be made of the progress made with renewables:
  - The US\$45 million expansion of the **Wigton Windfarm** by an additional 24MW to complement its existing 38.7MW windfarm complex in South Manchester. The project has broken ground and is expected to be commissioned in February 2016. On completion, Wigton will produce 63.1 MWh of energy.
  - **Blue Mountain Renewables** recently broke ground, in St Elizabeth, for a 34-megawatt wind project valued at approximately US\$90 million. Construction is slated for 2015 and is jointly financed by the United States Overseas Private Investment Corporation (OPIC), international and local private sector interests.
    - Finally, **WRB Enterprises** will be constructing a 20 MW photovoltaic generation facility in Clarendon at a cost of approximately US\$60 million. Its commissioning is scheduled for this year and is expected to create between 30 and 60 new jobs.
- Already as a result of improvements made, together with the reduction in the price of oil, the cost of electricity has declined over the past year from some 40 US cents per kilo watt hour to around 28 US cents per kilo watt hour today. This has positively affected the profitability of many of our private sector enterprises over the past year.

## **Tourism**

- The pace of growth in Tourism is accelerating with a healthy increase in visitor arrivals, running at over five percent for the current winter season. It is important to point out that this growth is being felt across the sector – from large hotels to small hotels, and now individual owners who are successfully offering a growing bed-and-breakfast service.
- I invite all of my colleagues to visit the website [www.airbnb.com](http://www.airbnb.com) to see the range of accommodation and kind of service that ordinary Jamaicans are offering to visitors to our country. The effect of this will be felt through the positive impact on the rate of economic growth, job creation and foreign exchange earnings.
- Let me take this opportunity to urge all those participating in this tourism product to regularise their businesses so that, *inter alia*, they can access the range of incentives and benefits that are currently offered to the tourism sector.
- There are a number of investment projects underway that will add further momentum to economic growth, such as:
  - The completion of **Moon Palace Jamaica Grande**;
  - Addition of 150 rooms at **Bahia Principe**;
  - The upgrading of **Braco to a Melia Resort**;
  - **Royalton White Sands – Phase II**, consisting of 180 rooms; and,
  - Rebuilding and Expansion of **Royalton Grande Lido Negril** to over 600 rooms.
- All told, these projects represent significant investment and upgrading of our tourism product.
- There are also several other new hotel projects at the planning and design stages which will add another 1,500 rooms.
- In relation to **Integrated Resort Development**, I am able to report that the recommendations of the review team have been finalized and I will be reporting to Cabinet on the findings and expect to be able to make an announcement next month.
- If we are to sustain the expansion in the tourism sector, we must continue to broaden the base of ownership and participation. Whereas under the old Hotel Incentive Act, only 80 entities enjoyed the tax incentive, already that number is doubled and the majority of the new beneficiaries are among the small and medium investors.
- Sustainability will also require that we continue to invest in the infrastructure and upkeep of our resort towns to serve citizens and visitors alike. The Tourism Enhancement Fund (TEF), for example, has embarked on

an initiative to rehabilitate and upgrade the townships of Negril, Montego Bay, Falmouth and Ocho Rios. These projects include streetscaping, the creation of shared pathways, (jogging, cycling and pedestrian trails), and landscape beautification. In the case of Falmouth, long outstanding drainage improvement will be undertaken.

- Mr. Speaker, let me remind my colleagues that our original tourism areas are rapidly becoming urban growth centres. If these urban townships are to be fully integrated into the tourism product, it will require the coordinated effort of all stakeholders to ensure that attractive and orderly development takes place with improvement to the living space for our citizens and visitors alike, and improvement to the environment for local businesses. Mr. Speaker, the Tourism Enhancement Fund has allocated a sum of JMD\$3.3B on this programme, of which JMD\$300M will be spent on the entrance to the City of Kingston.

### **Infrastructure**

- Infrastructural development represents an important and indispensable part of our growth strategy. In that regard one of the major projects undertaken in the country is the North-South highway being undertaken by the China Harbour Engineering Company (CHEC) representing some US\$600mn in investment.
- While the project, as a whole, is expected to be completed by end 2016, another section of the highway, the Bogwalk to Treadways leg, is scheduled to open this fiscal year. CHEC has identified lands in keeping with the Toll agreement where they intend to build 3 brand new hotels. We are in discussion with UDC and the Ministry of Transport, Works and Housing to ensure speedy conclusion to the process.
- Other critical elements of infrastructure development linked to Jamaica maximizing the opportunity flowing from the expansion of the Panama Canal includes:
  - The **Portland Bight Development Project** - the detailed technical and feasibility studies are being concluded by the investor team and discussions are ongoing with the Port Authority of Jamaica. It needs to be understood that a billion U.S. dollar project, such as this, doesn't just happen without extensive studies, technical preparation and negotiation. An investment interest of this magnitude expressed a year ago would not have come to conclusion as yet.
  - In relation to the privatisation of the **Norman Manley International Airport**, the position is that six firms expressed interest in the asset and are to be approved by the Cabinet to move to the Request for Proposal stage of the process. It is expected that a preferred bidder will be chosen within the next six months;

- Regarding, the **Jamaica Railway Corporation**, discussions with HERZOG are advancing and their due diligence has commenced;
- With respect to **Kingston Container Terminal**, the matter is currently before the Cabinet. It is expected that the Concession Agreement will be signed in the 1<sup>st</sup> quarter of FY 2015/2016.

### **DEVELOPMENT BANK OF JAMAICA/MSMEs**

- Jamaica's economic recovery programme recognises that the country's growth potential can hardly be realised without the contribution of the medium and small enterprises. It is for this reason that the Development Bank of Jamaica will be focusing on providing the financing needs of the start-up enterprises for medium and small entrepreneur.
- Medium and small enterprises and start-up enterprises are essential if we are to broaden the base of ownership in the country and even more so if we are to spread the benefits of enterprises to those social groups which have been excluded from participating in the main stream economy.
- **To achieve this critical objective last year DBJ was challenged to increase lending to this sector from \$2.2B to \$3.0B. I am pleased to report that for the first 11 months to February 2015, DBJ approved loans totalling 8,844 valued at \$3.3B to the MSMEs, already exceeding the target set of \$3.0B for the fiscal year.**
- For 2015/2016, DBJ has set a lending target to MSMEs of \$4B. As a result of the amendments being made to their loan guarantee programme known as the Credit Enhancement Facility the Board of the DBJ has taken the decision to:
  - increase the maximum value of the guarantee from \$10-15M to cover up to 50 per cent of DBJ SME loan being accessed; and,
  - In order to assist smaller enterprises, DBJ has increased the percentage coverage and will now provide guarantees for up to 80% on small business loans below \$6.2M for a maximum of \$5million.
- DBJ also, as I have reported on other occasions, implemented a voucher programme to assist business to secure available technical advice and knowledge necessary to develop viable business plans and to better equip themselves to operate in the global economy. This was done out of the recognition that many small businesses, and even some medium size enterprises, not only suffer from a lack of capital but also from the lack of technical and management expertise to develop and put in place the appropriate business plans.
- The Jamaica venture capital programme is also on track and there have been eight local and international Fund managers who have responded to

the call from DBJ to submit proposals in relation to venture capital funding. The DBJ and some investors are now doing due diligence on six of the fund managers and it is expected that one or two fund managers will be actively participating during the next fiscal year.

## **Budget- Expenditure Highlights**

- Total Gross Central Government Expenditure
- Wages & Salaries
- Recurrent Programmes
- Capital Expenditure
- Public Bodies Investment
  - Students' Loan Bureau
- Other Expenditure
- Debt



## **BUDGET – EXPENDITURE HIGHLIGHTS**

- The fiscal programme for 2015/2016 embodied in this Budget is consistent with our efforts to achieve debt reduction and structural reforms for sustained economic growth, the two overarching objectives of the Economic Reform Programme. The maintenance of the primary surplus of 7.5 per cent of GDP remains the key operational instrument for achieving these objectives.

### **Total Gross Central Government Expenditure**

- The 2015/2016 budget is predicated on gross expenditure of **\$665.5b** comprising non-debt expenditure of **\$355.3b** and public debt servicing of **\$310.2B**. Approximately **\$23.9B** or 4 per cent of the gross budget will be financed by Appropriations-in-Aid that is, from user charges, fees and grants from Public Bodies, while the net balance of **\$641.5b** will be funded by revenues, loans and external grants.

### **Wages & Salaries**

- On the expenditure side, wages and salaries of **\$165.2B** account for some 55 per cent of the non-debt recurrent budget and includes: back-pay due to firemen, correctional officers and health sector workers; new pay rates for correctional officers and medical doctors; the 2.5 per cent annual performance increment; the final one-off payment due to public sectors workers due under the 2012/2015 heads of agreement as well as amounts for new wage settlements.
- The current fiscal profile envisages a wage to GDP ratio of 9.8 per cent in 2015/16 and this will be reduced to 9 per cent of GDP by March 2017. This figure of 9 per cent wage to GDP effectively sets the limit of our negotiating envelope with the public sector unions. Our intention is to build a relationship with the Unions based on trust, which recognizes both the welfare of the workers and the national interest.
- This administration remains committed to honouring all agreements reached. We take pride in the fact that we have achieved a steady downward trajectory in the wage to GDP measure while honouring our commitments to the public sector workers. Honouring the commitments given by the previous administration and the new commitments under the 2012/2015 agreement with the public sector unions was only achieved by foregoing other demands on the budget. For example, over the last two financial years 2013/2014 and 2014/2015 in excess of \$20B was paid to public sector workers in honouring these commitments.

### **Recurrent Programmes**

- The provision for Recurrent Programmes is \$135.7B or 45 per cent of the non-debt recurrent expenditure, reflecting an overall increase of \$21.7B or 20 per cent over the 2014/2015 Revised Budget.

- Over the next fiscal year the government will undertake major investments in the public health sector. This is reflected in increased expenditure for drugs and medical supplies and other goods and services. Our experience over this past year has underscored the urgent need to build the necessary capacity in our health services to both prevent and respond to the outbreak of debilitating diseases.
- A healthy, well trained labour force is critical to increasing productivity and creating a more globally competitive economy.

### **Capital Expenditure**

- Central government's non-debt capital expenditure for FY 2015/16 is projected at \$30.5B. Notwithstanding the challenging fiscal environment, since 2012/13 we have provided the resources to facilitate completion of several major infrastructural projects including the Kingston Metropolitan Area Drainage Project, the Palisadoes Shoreline and Road Project, the Transport Improvement Road Project and the North Coast Highway Project.
- During FY 2015/2016, we have provided fiscal space to ensure implementation of the following activities in MDAs:
  - a) **\$3.1b** to meet the cost of 27 new buses acquired for the JUTC and due to arrive in April;
  - b) **\$3.3b** to carry out works on select roadways and bridges and commence and complete phases 5 & 6 of the JEEP Programme under the Major Infrastructural Development Programme (MIDP);
  - c) **\$1.1b** to complete infrastructural works and housing units at Luana, (St Elizabeth), Mt Edgcombe and Belle Aire (St Ann);
  - d) **\$659m** to continue construction of the Sour Sop Turn to Chapleton Corridor and complete the Scotts Cove to Belmont Corridor in Westmoreland
  - e) Approximately **\$700m** to, among other things, complete works on 2 existing Agro Parks and establish at least 2 others;
  - f) **\$2.4b** under the Sugar Transformation Programme to continue work on social development projects in the Sugar Dependent Areas; complete 225 houses under construction in St Thomas under the Barracks Relocation Programme; - 145 in Stokes Hall and 80 in Hampton Hall; rehabilitate select cane roads and install irrigation systems in select cane areas and;

- g) **\$880m** under the Citizens' Security and Justice Programme to continue implementation of social intervention programmes in at-risk communities;
- h) **\$1.4b** to continue work under the FAMP project aimed at improving systems and procedures for customs and inland tax collections as well as debt, treasury and budget management;
- i) **\$1.8b** allocated to JSIF to continue implementation of community level social and economic programmes inclusive of water, sanitation, road works, agro-processing and personal development programmes;
- j) Approximately **\$1b** will go towards supporting the ongoing transformation of the education system; improving sanitary facilities and refurbishing of Infant and Primary Schools; continuing the work of upgrading and expanding schools in order to provide additional places to eliminate the Shift System and reduce overcrowding. Since 2012, Twenty Five (25) schools have been removed from shift and another Twenty (20) are slated for removal during 2015/16).

#### **Public Bodies Investment**

- It should be noted that in addition to the projects which will be undertaken in the central government, another **\$59b** will be spent by the Self-Financing Public Bodies including the National Housing Trust, the Urban Development Corporation, the National Water Commission; the Port Authority of Jamaica and the Jamaica Civil Aviation Authority.

#### **STUDENTS LOAN BUREAU**

- I now turn to the Student's Loan Bureau, a critical institution for expanding access to tertiary institutions. Let me remind my colleagues that the tertiary enrollment rate in any country is a major indicator of the quality and productivity of the labour force. It is for this reason that I am pleased to report that applications have increased over the four year period under review and we are now seeing improved levels of compliance. We have moved from 9,972 applications in 2010/2011 to 16,476 in 2012/2013 and leveling off in 2013/2014 to 15,297.

#### **Increased Collections**

- The increased rate in compliance that we are experiencing over the past year is a direct result of the initiatives implemented by SLB. These include increased loan restructuring to enable more affordable monthly payments, increased payments by salary deductions and adding more Debt Collectors, coupled with the provision of data to the Credit Bureaus and the increased public education and advertising campaign by SLB.
- For the **eleven-month period** April 2014 to January 2015, SLB collected \$1.56bn from customers at a monthly average of \$142mn. This compares

with the \$1.27bn collected for **fiscal year** 2013/14, a monthly average of \$106mn.

- Average monthly Collections increased from \$76mn in 2011/12 to \$142mn in 2014/15, an increase of 87%.
- The SLB will be continuing its public education campaign to sensitize beneficiaries to the understanding that it is by repaying their loans that other needy students can get their opportunity for tertiary education.

### **Rebranding and Repositioning of Parent Plus Loans**

- Mr. Speaker, I would like to advise the members of the Honourable House that the **Parent Plus Loan facility** has been rebranded and is now called **Pay As You Study (PAYS)**. This new loan option targets parents/guardians/working students or relatives who can afford the monthly deductions from their salary while they study.
- The benefits of **PAYS** loan include;
  - Lowest interest rate for a tuition loan;
  - Longer repayment time;
  - Smaller monthly payments;
  - Applications for **PAYS** can be made online, and I encourage all those who qualify that they take the necessary steps to access this facility.

### **Public Sector Workers' Children, access to Student Loans**

- Effective 2015/2016 academic year the following reductions will become applicable for the children of public sector workers:
  - The processing fees for applications for student loans for the **children** of public sector workers will be reduced by 35%.
  - Interest rates on student loans to **children** of Public Sector workers to be charged at 1% lower than the interest rates normally charged to SLB applicants.
  - In addition, **public sector workers** applying for student loans will be allowed to access the loan with one (1) guarantor based on satisfactory assessment.

### **Other Expenditure**

- This budget highlights the fact that much progress can be made in critical areas without massive outlays of resources. We have sought to:
  - a) Increase the capacity of the NSWMA for improved garbage collection by allocating **\$200m** to commence the procurement of twenty (20) new garbage trucks;

- b) Increase the capacity of the fire services by allocating over **\$456m** to acquire new fire trucks, commence procurement of a Fire Boat, ambulances, maintain fire hydrants, and repair and rehabilitate fire stations and vehicles;
- c) Support a water catchment rehabilitation and rainwater harvesting programme for rural communities with a provision of **\$90m**;
- d) To help more persons have legal access to lands by providing resources to facilitate the establishment of Ten (10) additional Land Adjudication Committees to resolve land ownership issues;
- e) Improve the mobility of the security forces by providing additional resources to acquire security and operational vehicles;
- f) Support the ongoing programme of road patching, river training, and cleaning of gullies by allocating over **\$500m** mainly to the Ministry of Transport, Works and Housing ;
- g) Support reform of the justice system by allocating: approximately **\$135m** to provide for: (i) additional high court judges; increase the stipend to jurors and make available additional facilities at the Justice Square complex; **\$115m** to improve victim support services, provide legal aid counsel, train police and court officials in mediation and conduct restorative justice sessions in communities;

#### **DEBT**

- Most of all we are honouring our commitment to our creditors. We will pay our debts. We are providing over **\$178B** to pay down debt which is an essential obligation that we entered into with our creditors, pensioners and financial institutions.



## **REVENUE**



## **CONCLUSION**



## **CONCLUSION**

- Mr. Speaker, this administration will continue to fulfil all the commitments we have made to the Jamaican people and the increase in the Budget this year is to ensure that all the obligations we entered into will be fulfilled.
- It is a matter of record, Mr. Speaker, that this year we honoured our commitments to the bondholders including our pensioners, financial institutions, individual creditors of the government who contributed to the success of the National Debt Exchange by paying out **\$101B** to meet our obligations for the repayment of principal.
- We have not forgotten that we have reached this far, on the road of Economic Reform, because the workers committed themselves to the wage restraint which satisfied the pre-conditions of the Extended Fund Facility programme which we were able to sign.
- Mr. Speaker, they can rest assured that in the same way they fulfilled their obligations to their country we will fulfil our obligations to them. To this end we will be negotiating reasonable wage agreements with our public sector workers.
- We made a commitment to reduce the debt; and this year the debt which was 145 per cent of GDP at the start of the Economic Reform Programme is on its way down and will be reduced to 139 per cent of GDP by March.
- We made a commitment to reduce the budget deficit and this fiscal year it has almost disappeared.
- Our balance of payments current account deficit now stands at 5.3 per cent and is expected to be 2.3 per cent for the coming fiscal year
- Inflation this fiscal year will be the lowest in forty years.
- Unemployment is down year on year;
- Mr. Speaker, we take pride in the fact that despite the difficult circumstances of the reform we have made provisions in this year's budget to continue to meet our obligations to protect the poorest and the most vulnerable in the society. We have expanded the social budget to \$4B including both the PATH Programme and the Primary School Programme – hungry children cannot learn.
- This year's budget has returned the social agenda to the front burner. We have added \$8B to the health budget to ensure that the gains made in the past can be sustained.
- We have expanded the education budget because we are determined to end the shift system in high schools.

- We have ensured that our spectacular programme of infrastructure development will continue - \$3B has been allocated for road infrastructure – and we are going to open the new North Coast Highway in this financial year.
- We have undertaken the most comprehensive Tax Reform effort over the past two decades; and
- Mr. Speaker, the foundations have been well and truly laid and we are now going for Growth.
  - **Tourism** is leading the charge with a growth rate of some 6 percent last year;
  - We will be pushing to the limit the **Business Process Outsourcing** to more than 18,000 additional jobs by 2020
  - Our **agricultural sector** is reviving – we will be expanding the network of Agro Parks
  - We are continuing our **investment in energy** to lower energy prices and to stimulate growth
  - We are undertaking **Labour Market Reform** and public sector reform to achieve even higher levels of growth
- Mr. Speaker, I close my presentation with an adaptation of the words of the psalmist. *Yea, though we walk through the valley of doubt thou preparest a table for us in the presence of the doubters and naysayers...we take our seats at this table with every confidence that goodness and mercy shall follow us all the days of our life ...*
- The Jamaican people are a people of faith, and now is the time for us to demonstrate our faith in the future, bolstered by what we have achieved thus far and confident in our capacities to achieve our goals.
- The estimates of Expenditure and Revenues are before us – Let us approach the future with confidence, because the foundations have been truly laid. We are now going for growth.

**THANK YOU**