

FSC Conference on Corporate Governance

March 26, 2014



Positioning Jamaica to Ride a Rising Global Tide

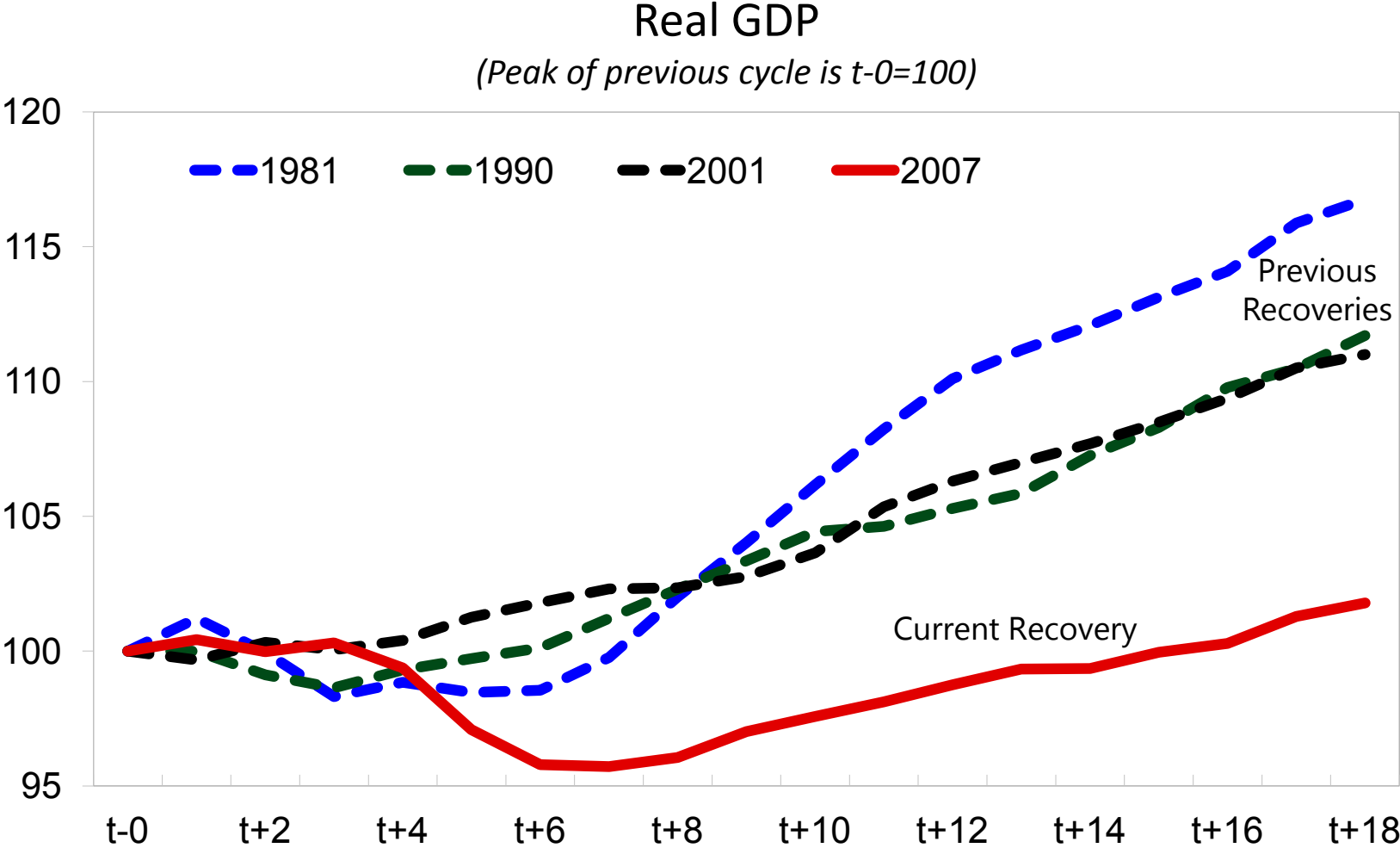
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Jamaica*

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

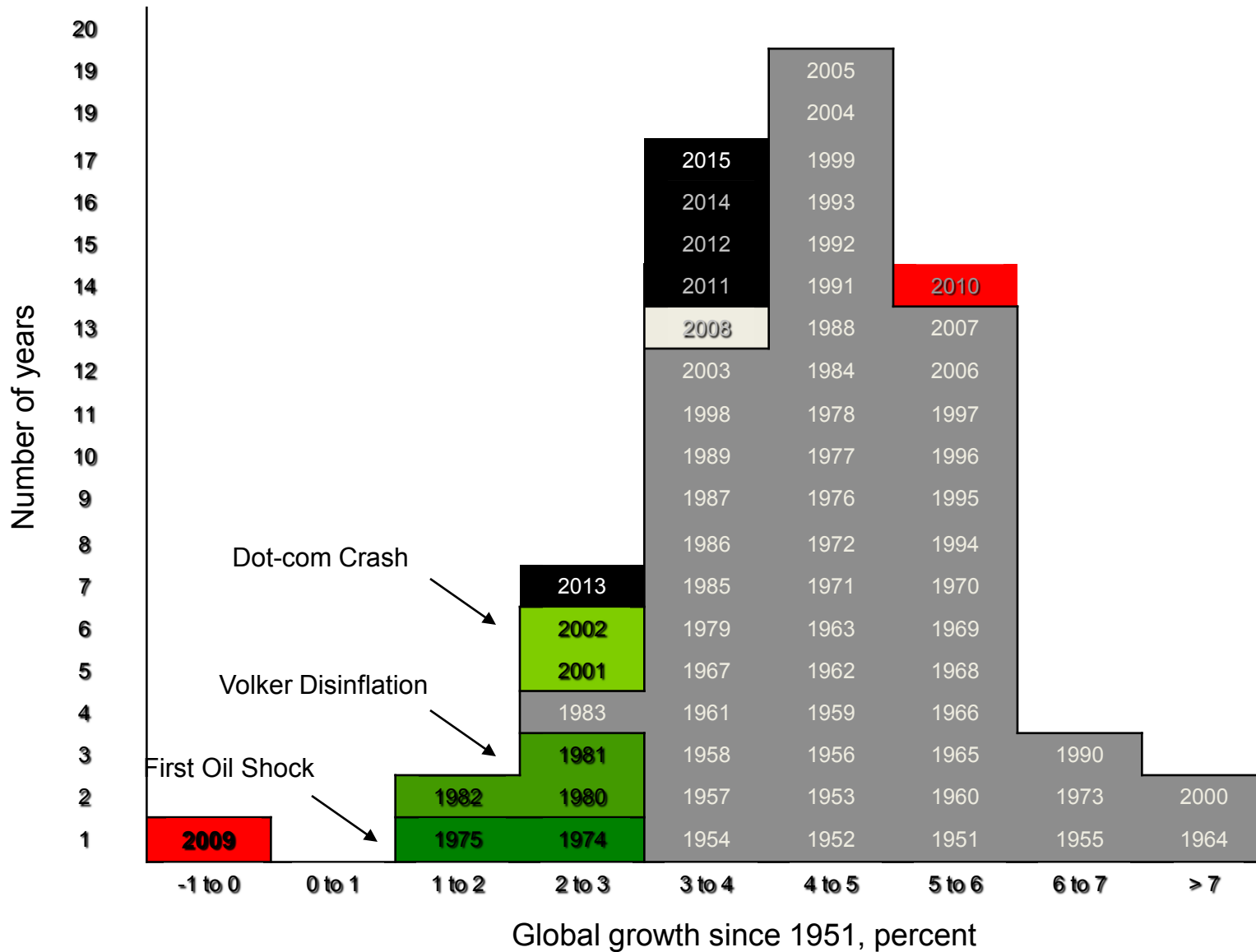


The global recovery is expected to strengthen...



Sources: Haver Analytics; and IMF staff calculations.

... with moderate global growth in 2014 and 2015.



Source: WEO, Maddison

2009 was truly exceptional

... A few Lessons of the Global Financial Crisis that are relevant for today's topic:

- Adequate capital buffers
- Cooperation between financial sector supervisors (e.g. AIG)
- Too big to fail, and moral hazard (excessive risk)
- Incentives for management of financial sector entities (bonuses linked to annual profits)

Is the Tide Rising?

WEO Real GDP Growth Projections (January 2014 update)

(percent change from a year earlier)



World



U.S.



Area



Japan



Brazil



Russia



India

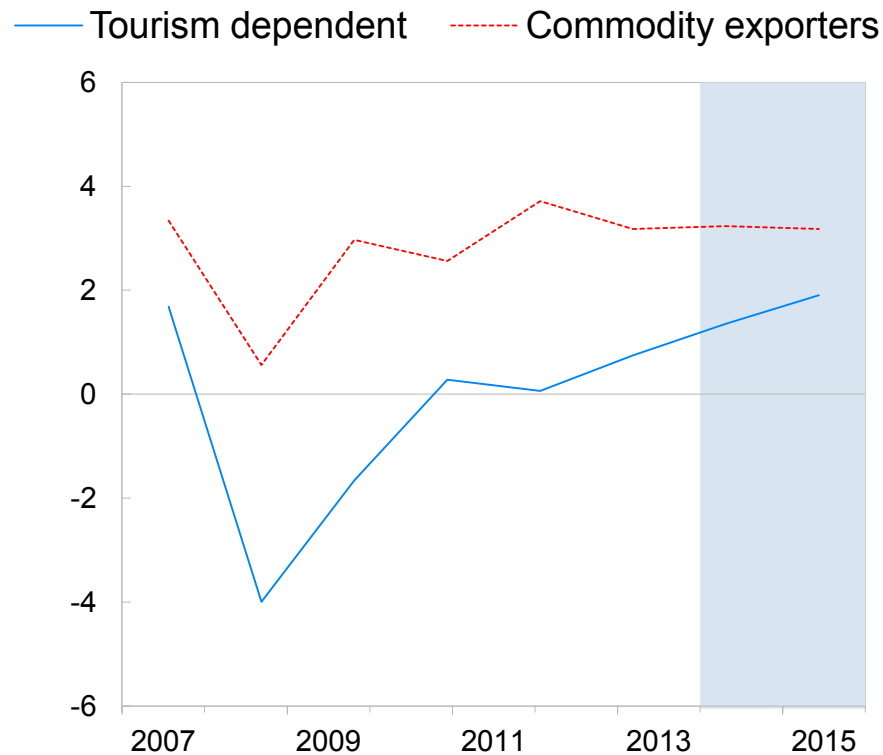


China

2013	3.0	1.9	-0.4	1.7	2.3	1.5	4.4	7.7
2014	3.7	2.8	1.0	1.7	2.3	2.0	5.4	7.5
2015	3.9	3.0	1.4	1.0	2.8	2.5	6.4	7.3

Growth in the Caribbean is expected to remain tepid—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.

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.

Jamaica's Economic Reform Programme: Key elements

- Tax reform
- Fiscal rule
- 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
- Upcoming reforms: GCT, 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.

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

... by improving infrastructure.



Financial Sector

- Monitoring and addressing liquidity constraints
- 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

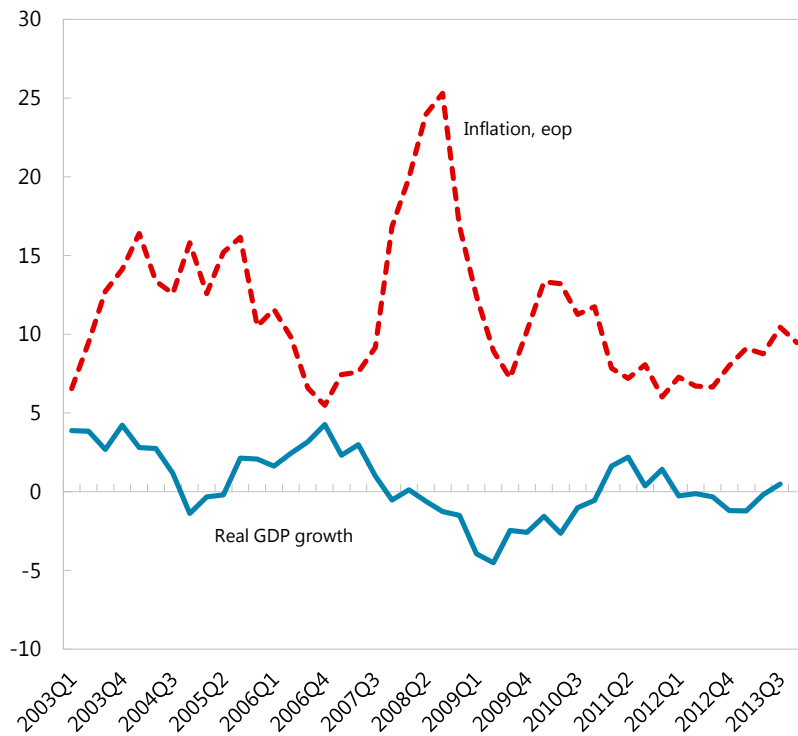
- Increase in PATH benefits in August 2013, to maintain their real value
- Better targeting of PATH benefits through re-certification of 38,000 PATH households
- Floor for social spending under the EFF program (including for example conditional cash transfers, school feeding programs etc.)

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

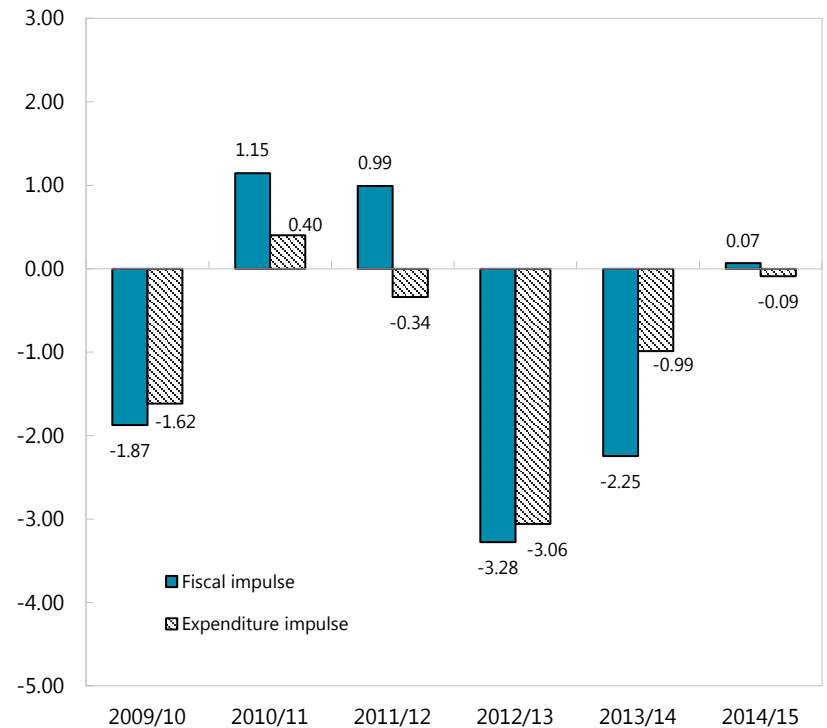
- IMF Extended Fund Facility, approved May 1, 2013
- Four year, US\$950 million program (225 percent of quota)
- First review completed, September 30
- Second review completed, December 18
- Third review completed, March 19
- In total, 15 reviews are scheduled.

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

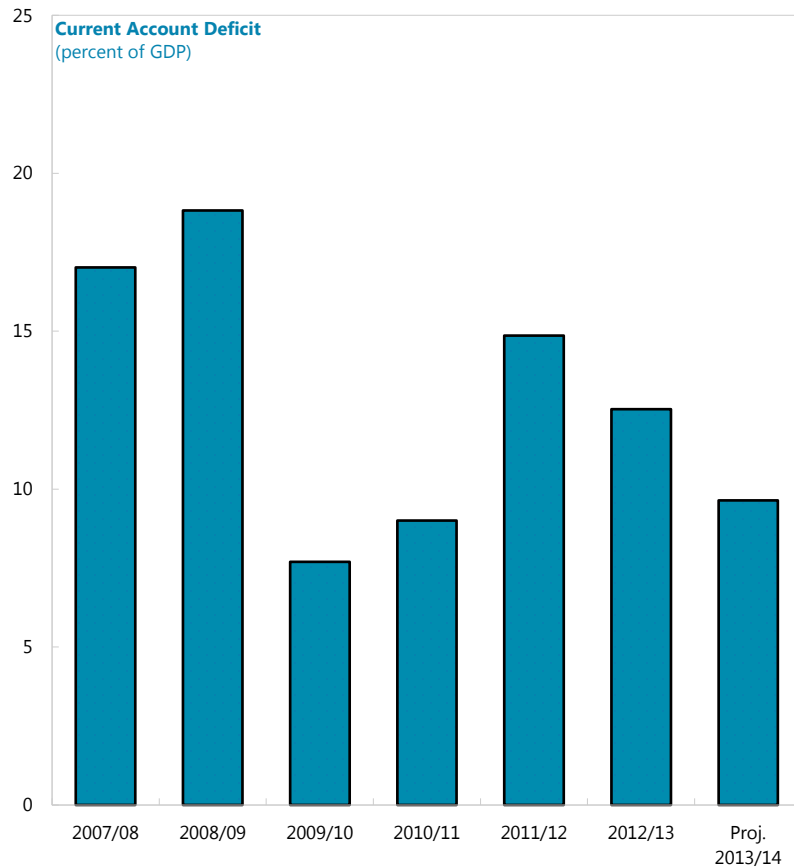
Real GDP Growth and Inflation
(percent change)



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.



Thank you!

- Questions?