

Statement at the Conclusion of the IMF Staff Mission to Jamaica

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An International Monetary Fund (IMF) mission visited Jamaica during August 14-23, 2013 to conduct discussions on the first review of Jamaica's IMF-supported program under the Extended Fund Facility (EFF). The mission met with the Minister of Finance, Hon. Peter Phillips, Bank of Jamaica Governor Brian Wynter, Financial Secretary Devon Rowe, senior government officials, and representatives of the private sector and civil society. At the conclusion of the mission, Mr. Jan Kees Martijn, the Fund's mission chief for Jamaica, issued the following statement in Kingston:

"Discussions during the mission focused on economic performance thus far under the program, near-term economic challenges, and the policy program for 2013/14 and beyond. The mission reached staff-level understandings with the authorities on a set of economic policies detailed in an updated Letter of Intent.

"Recent economic developments mostly confirm the challenges of the Jamaican economy. Economic activity is estimated to have contracted by 0.7 percent in FY2012/13, with a further decline from April to June. The reported unemployment rate increased to 16.3 percent at end-April 2013, driven by a sharp increase in the labor force. Inflation reached 9.7 percent (year-over-year) in July 2013. Net international reserves increased to almost US\$1 billion by end-June (and gross reserves estimated at about 3 months of imports), although reserves have declined since then in line with the seasonal pattern. Fiscal performance for FY2012/13 and during the first quarter of the current fiscal year outperformed projections, with the central government primary surplus improving to 5.4 percent of GDP in FY2012/13. The authorities' four-year economic program aims to improve Jamaica's fiscal and debt position and competitiveness, and create the conditions for sustained economic growth.

"Overall policy implementation thus far under the program has been strong and structural reforms are progressing. All quantitative performance targets and indicative targets for end-June were met, including the floor on social spending. For FY 2013/14, a budget that targets a central government primary surplus of 7.5 percent of GDP has been adopted and is now being implemented. The Government continues to

implement its decision to strictly limit the granting of discretionary waivers. Several legislative amendments have been adopted to bolster tax administration, and the resources of the large taxpayers office have been increased. All other structural benchmarks to date have also been met in a timely manner. A conceptual framework for a fiscal rule that will help lock in the gains from fiscal consolidation over the longer term is expected to be ready by the end of this month.

“Key elements of the authorities’ updated program are:

- The adoption of fundamental tax reform before the next fiscal year, designed to broaden the tax base, simplify the tax system, reduce tax rates, and reduce economic distortions and support growth. Tax reform is programmed to commence with an Omnibus Incentive Tax Act and a Charities Bill, to be tabled in parliament before end-September. The tax incentives legislation is expected to replace and streamline the many existing sectoral incentive schemes by a rules-based regime for limited tax incentives.
- Steadfast implementation of the government’s strategy to increase growth by improving the business environment and pursuing strategic investments.
- Further actions to make the financial sector more resilient, through enhanced supervision and monitoring, and with phased reforms of the securities dealers sector.
- Strengthening the social protection framework, with enhanced efforts to move recipients from welfare to work, and the recent increase in PATH benefits.

“These staff level understandings are subject to approval by the IMF’s Management and Executive Board. Provided that performance remains strong, Board consideration of the first review of Jamaica’s IMF-supported program under the EFF could take place late September. Upon approval, SDR 19.97 million (about US\$30 million) would be made available to Jamaica.

“The mission expresses its deep appreciation to the authorities and technical staff for their excellent cooperation.”

IMF COMMUNICATIONS DEPARTMENT

Public Affairs

Media Relations

E-mail: publicaffairs@imf.org

E-mail: media@imf.org

Fax: 202-623-6220

Phone: 202-623-7100