



Ministry of Finance and
the Public Service

2022 *OPENING* BUDGET PRESENTATION

RECOVERY, REFORM and RESTORATION



Hon. Nigel Clarke, DPhil., MP
Minister of Finance and the Public Service
TUESDAY, MARCH 8, 2022



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1.0 Opening Remarks

1.1 Salutations & Expressions of Gratitude

Madam Speaker, I would like to begin by thanking Almighty God for His kindness, as well as His many blessings, and mercy.

To God be the Glory, great things He hath done.

Today, March 8, is International Women's Day, a global day, which celebrates the social, economic, cultural and political achievements of women and call for action for generating gender parity.

I would like to use this occasion to publicly congratulate you, Madam Speaker, along with the Deputy Speaker and the Deputy Leader of Government Business for your leadership and your historic achievements, as well as those of the 18 female members – a historical record – currently in Parliament. We are better, stronger, and wiser because of your representation.

To those watching on social media and television, and particularly to the Diaspora overseas, thank you for your interest and commitment.

I want to extend my sincere gratitude to the Executive of the St. Andrew North Western constituency, and particularly the hardworking Councillors and workers, who have dedicated themselves to supporting me in working to improve the lives of the citizens of North West St. Andrew.

To my colleagues in Parliament, and particularly my fellow members of Cabinet, thank you for your support, encouragement, and continued sacrifice on behalf of the people of Jamaica.

I would not be present here today without the support and encouragement of the Prime Minister of Jamaica, the Most Honorable Andrew Holness.

Jamaica is stronger, better, and more prosperous today under his firm and courageous leadership. Thank you, Prime Minister.

I would also like to acknowledge the staff of the House of Parliament who are so gracious and professional in the performance of their duties, as well as the members of the media, who also play a critical role. Thank you.

I want to thank the hardworking and dedicated team at the Ministry of Finance, particularly Financial Secretary Darlene Morrison and my colleague minister, the Hon. Marsha Smith, as well as the administrative and ancillary staff in my office, and the security staff assigned to me, who all go way beyond the call of duty. Thank you.

Thanks also to the Board, management, and staff of the Bank of Jamaica and Planning Institute of Jamaica. Jamaica is blessed to have such strong, independent world-class professionals.

Most of all, Madam Speaker, I would like to thank my family for their incredible patience and understanding, particularly my mother, Mrs. Mary Clarke, and my wife and children, for their unconditional love and support. Thank you.

1.2 War in Ukraine

I begin my remarks today by expressing deepest condolences on behalf of the Government of Jamaica for the lives that have been lost and the devastation that has occurred in the Ukraine as a result of recent hostilities in that country.

Jamaica has joined with most countries around the world in condemnation of the Government of Russia for violating the sovereignty of Ukraine.

The Ukraine War represents the most significant conflict and the largest exodus of people – almost 2.0 million people – in Europe since World War II.

I would like to commend the Prime Minister and the Minister of Foreign Affairs, the Hon. Kamina Johnson Smith, in ensuring that the Jamaicans in Ukraine were safely evacuated from the country. We are all grateful that they made it out safely.

The outcome of both the military assault and the subsequent economic sanctions are uncertain. However, the negative effects on the world – including Jamaica – are already beginning to manifest themselves, and could get worse.

There are three main economic channels through which this crisis could impact Jamaica:

First is the increase in energy and commodity prices, including wheat and other grains. Higher commodity prices today means that average inflation for the upcoming fiscal year could be higher than previously anticipated.

Second, this inflationary pressure exacerbates recent supply chain disruptions, negatively impacts the rebound from the COVID-19 pandemic, and increases the likelihood that global economic growth could slow, which could impact Jamaica's growth.

Third is the potential impact of adverse financial flows as global investors seek safer asset classes.

We are closely monitoring developments and the reaction of markets. We will ensure that the poor and vulnerable are protected from the worst effects of this crisis. The Jamaican economy is resilient and will weather this storm.

1.3 Learning from 60 years of Economic History

Jamaica marks 60 years of independence this year. This is a significant milestone of which every Jamaican can be proud.

We were not supposed to get this far. It was the late Michael Manley who described our journey as going “Up the Down Escalator”. But the Jamaican people have defied the odds and have survived, flourished, and influenced the world.

We have given birth to a globally celebrated culture. Jamaican music is played and imitated in all corners of the world. Jamaica’s contribution to humanity includes a globally recognised philosophical outlook and religion based on unity, peace, tolerance and love. Our cuisine is enjoyed across all continents; the international achievements of our sportsmen and sportswomen defy our small size.

We “*likkle but wi tallawah*”!

Most importantly Jamaica has shown the capacity to self-correct, to innovate, and to improve. The surest sign of the health of any biological organism is its capacity to heal and to grow. The Great Designer who shaped us perfectly in His image designed us such that a cut on the arm is attended to by a throng of white blood cells that begin the healing process.

Jamaica has shown the capacity for self-healing, innovation and growth in the transformation of our electoral system from one that was violently corrupt and unreliable to becoming a dependable beacon of freedom in the world.

This progress provides substance for hope. Because, with all of our achievements, there is one significant area in which Jamaica has lagged the world, and that is in economic improvement.

A country’s most used measure of economic advancement is the amount of goods and services that country produces each year and how this quantity changes over time.

Gross Domestic Product (GDP) is the metric that best captures this. And we can look at GDP per capita – that is GDP divided by population size – to get a sense of average economic output per person or our average income. We can back out inflationary effects to get a sense of how our average income, in real terms, has changed over time.

When you examine Jamaica’s GDP per capita over the last 60 years it is easy to see that we have meandered in the economic wilderness for well over 40 years.

In fact, the IMF recently completed a health check-up on Jamaica, called an Article IV Consultation, which was published in February 2022.

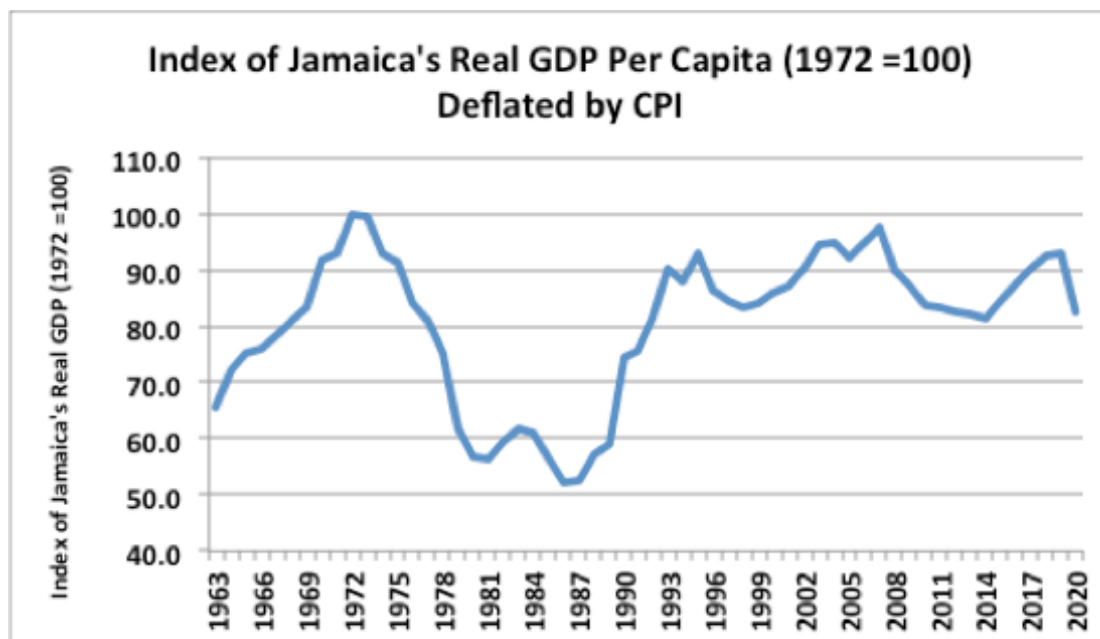
The very first paragraph of this document reads:

“(Real) GDP Per Capita is lower today than it was in 1970, partly the result of repeated fiscal, balance of payments or banking crises.”¹

¹ IMF Article IV Consultation on Jamaica, 2022

This is a sad, shocking reality.

Jamaica's average income today, is lower, in real terms, than it was 50 years ago!



Source: IMF 2021 Article IV Consultation on Jamaica

1.3.1 Brief Macro-Economic Historical Narrative

The Jamaican economy experienced a rapid and sustained expansion in the 1960's. Real per capita GDP grew by 50% over the period 1962 to 1972 but the benefits, critics say, were unequally distributed.

However, these economic gains were largely erased in the decade that followed. Real per capita GDP plummeted by 40% between 1972 and 1980, even as social and economic programs were greatly expanded.

The IMF Article IV Consultation notes: *"The fiscal deficit widened to 15% of GDP as Government spending climbed from 23% of GDP in 1972 to an unsustainable 45% in 1978. These deficits were financed by foreign loans and central bank borrowing i.e. printing of money."*

Structural adjustment in the early 1980's involved a reduction in unsustainable expenditure and sharp devaluation of our currency and helped to stabilise the economy. However much of the debt was foreign denominated and Jamaica's Debt to GDP ratio soared. Real per capita GDP bottomed out in 1986, after the bauxite/alumina price slump, when it dropped to 20% lower than where it was in 1963, having registered modest increases in the few years before.

And then Jamaica experienced a second period of high real per capita GDP growth.

From this low point in 1986, real per capita GDP grew by 90% between 1987 and 1994, including a period of very high growth between 1987 and 1990 followed by continued

but lower growth from 1991 to 1994. We tend to forget about this 1987 to 1994 period because of what followed.

However, at the end of this growth spurt, real per capita GDP was still below 1972 levels.

Liberalisation of the financial sector without a strong regulatory and supervisory framework, among other factors, contributed to a monumental financial sector crisis. A deep recession ensued. The Government's intervention cost 40% of GDP, which was added to the growing national debt.

Our debt climbed over the decade and a half that followed, peaking at 146% of GDP in 2013, with interest accounting for an unsustainable 60% of budgetary revenues by 2009.

Real per capita GDP stagnated over this period and began to show modest improvement in recent years, prior to being decimated in 2020 as a result of the COVID-19 global pandemic.

Once the data for 2021 is finalised, it will show a strong uptick from 2020.

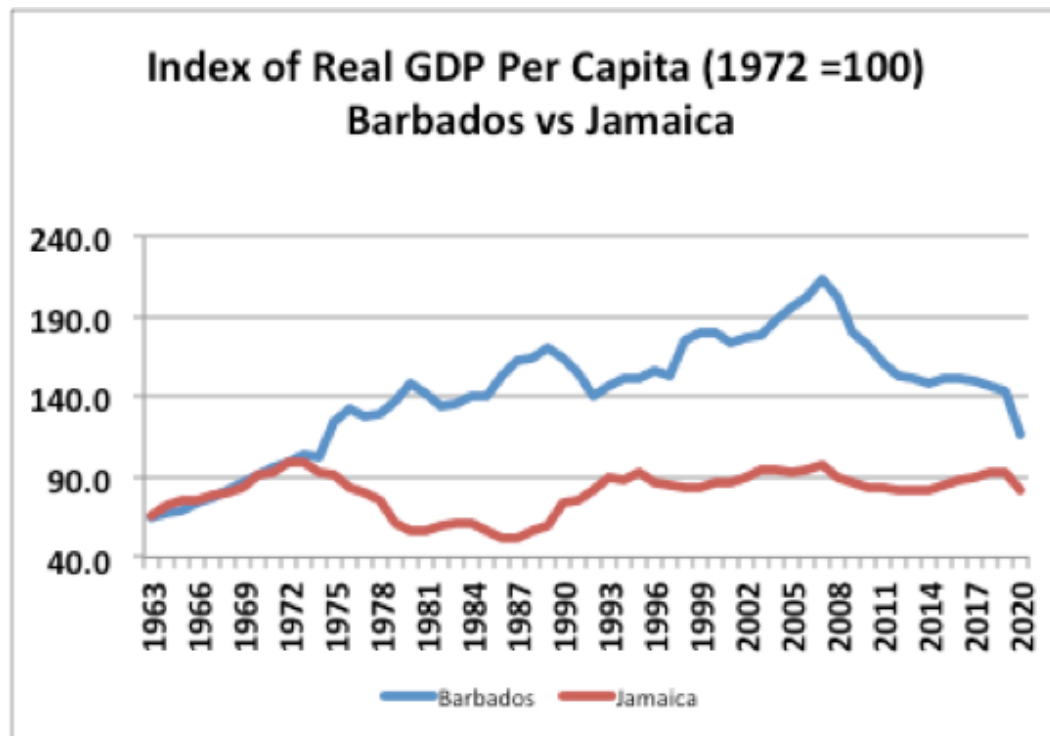
However, even with that gain, Jamaica's real per capita GDP, that is Jamaica's average income, in real terms, is still approximately 20% lower today than 50 years ago!

Madam Speaker, my fellow Parliamentarians, my fellow Jamaicans, we need to be mindful of this history and resolve among ourselves that this shameful record is not repeated. The next 50 years cannot, cannot be like the past 50.

We know this story anecdotally, but we usually hear it with comparisons to Singapore and we often dismiss it with a nonchalant – “Dem different from we”.

But what if we compare our economic progress over 50 years with that of our brothers and sisters in the Caribbean?

When you compare this same metric – change in real per capita GDP – with our Caribbean neighbours, the contrast is staggering.

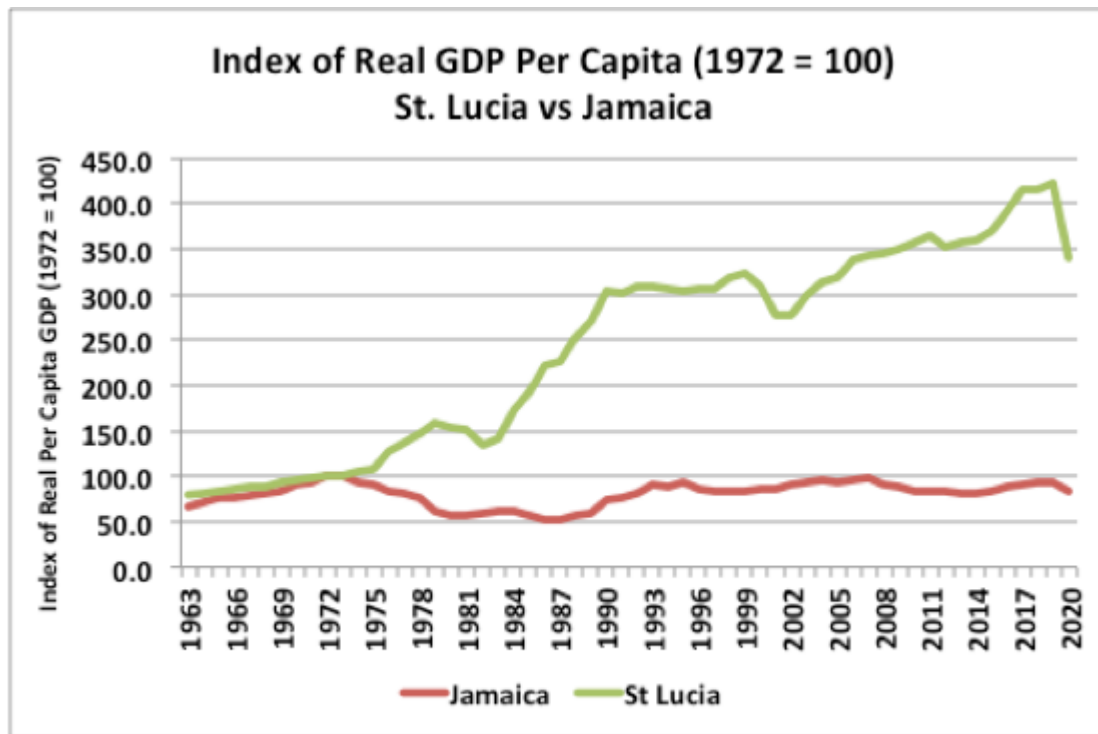


Source: IMF

For the first ten years after Independence in 1962, Jamaica's increase in real per capita GDP growth tracked closely with that of Barbados.

However, Barbados continued on that track of increasing real per capita over the next four decades, while Jamaica did not.

Today, despite pronounced reversals of these gains over the decade after 2008, real per capita GDP in Barbados is still approximately 20% higher today than it was in 1972, unlike Jamaica.



Source: IMF

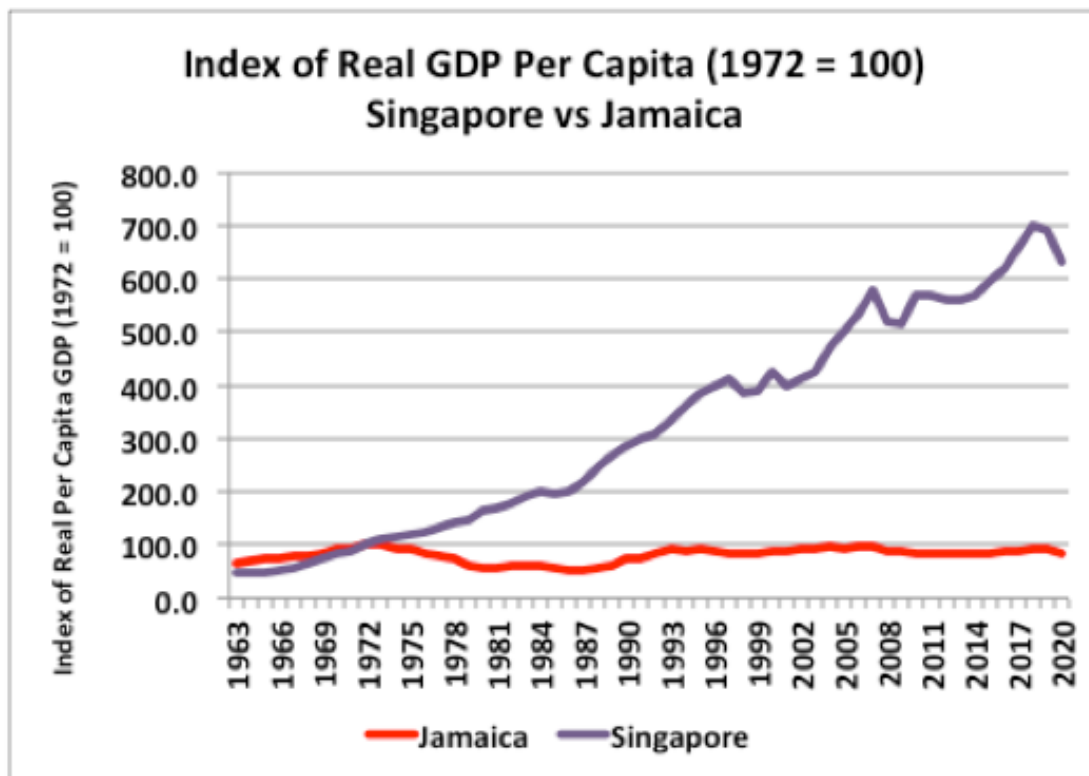
This comparison with Barbados is not unique. Most countries in the Caribbean have zoomed past Jamaica in terms of per capita GDP!

Let's look at St. Lucia.

Again, while Jamaica's real per capita GDP growth was similar to St. Lucia's for the first ten years after independence in 1962, there has been a pronounced divergence in our experiences since then.

Today, St. Lucia's real per capita GDP is 3.5 times what it was in 1972 (i.e., a 350% increase) while Jamaica's is 20% less than it was in 1972!

We have to internalise this economic history as a people if we are not to repeat it.



Source: IMF

This brief comparative review of real per capita GDP would not be complete without comparison with Singapore. Jamaica's increase in real per capita GDP initially outpaced Singapore in the 1960's.

Today, however, in Singapore, real per capita GDP is **13 times** higher than it was in 1972, whereas Jamaica's is 20% lower.

GDP per capita is not a perfect measure for well-being – but at a minimum it describes the economic resources available in the country each year which is a universally recognised proxy for average income.

There is no avoiding the fact that Jamaica's economic experience compares dismally with our peer countries over a 50-year time horizon. From an economic perspective, as compared to other countries, it's as if Jamaica has wandered through the wilderness for much of that time ... or, put another way, for every two steps forward, we have taken three steps backwards.

This is a fact that requires great introspection. We have shown the ability for self-correction and innovation. We must leverage this internal capacity to ensure we strive for continued economic transformation.

The clearest way to characterise our economic journey has been chronic instability, fiscal unsustainability, falling into crisis, and taking forever to recover.

In fact, when you look at our history of fiscal deficits, which are both cause and effect of our real GDP journey, this unfortunate pattern becomes even more clear.

The enduring economic history lesson across countries is that fiscal, balance of payments and banking crises are enormously costly and damaging. And Jamaica's 60 years of independence bears testament to that. These crises have, and can still, set our precious country back for decades, for generations, while other countries zoom past us. Unless we manage the finances of our economy well and create a policy environment that creates stability and supports growth.

The most important lesson is that, in all we do, we should never, ever sacrifice discipline, policy sustainability, or economic resilience for short term expediency.

This cannot be the burden of the Government or Minister of Finance only. This has to be a shared national awareness and a shared responsibility across all institutions, all segments of population, across the public and private sectors, and across all party lines.

From our history, we also know that economic shocks over which we have no control – such as commodity price increases, geo-political tensions, or natural disasters – can precipitate or worsen fiscal and balance of payment crises.

Another important lesson is that we must remain committed to preserving economic stability, while we build and maintain both fiscal buffers – such as responsible fiscal balances, low debt, and contingency funds – and monetary buffers – such as adequate foreign exchange reserves.

These buffers provide the policy flexibility to allow for responsible and effective responses to crises, as well as to increase the likelihood of quick economic recoveries just as has happened with the COVID-19 crisis and recovery.

Madam Speaker, I am proud to say that this Government understands and has learned these critical lessons from history.

We remain firmly committed to making sound, sustainable policy decisions that strengthen our economic resilience and ensure that when faced with unforeseen external shocks, we are ready and prepared to address and overcome them.

2.0 On the Path of Economic Recovery

Madam Speaker, with that brief historical overview and a reminder that we must remain committed to making sound and prudent policy decisions, let me turn to where we stand today.

Over the past year, the Jamaican economy has begun an impressive recovery from the devastating impact of the COVID-19 pandemic.

Across several metrics – such as economic growth, job growth, debt reduction, and credit ratings --- the Jamaican economy has been recovering from COVID-19 well ahead of most of our peers.

2.1 Economic Growth

Let me remind you, when we gathered here last year this time, we never believed we could recover this fast. When we forecasted 5% growth, they questioned it.

I don't blame them, because the kind of economic recovery we experienced over the last year has never been experienced before. So how could they have seen it? It is difficult to see and recognise what you have never experienced.

While other economies in our region wobbled in fiscal year 2021/22, Jamaica staged a strong, robust, and historic recovery. That was no accident.

With the blessings of God Almighty and good policy choices, the historic shock delivered by the pandemic did not lead to a balance of payment crisis, as in the past, did not lead to a debt crisis, as in the past, and did not lead to a fiscal crisis, as in the past. Any of these knock-on effects would have complicated Jamaica's recovery.

Instead, the Jamaican economy came roaring back with 14% growth in the first quarter of the fiscal year – the highest quarterly growth rate ever recorded in Jamaica -- 5.8% growth in the second quarter of the fiscal year, projected 6% growth in the third quarter of the fiscal year and projected 7% - 9% growth for the 2021/22 fiscal year.

And, the “dance” dem, and “weddy, weddy” don't roll in yet!

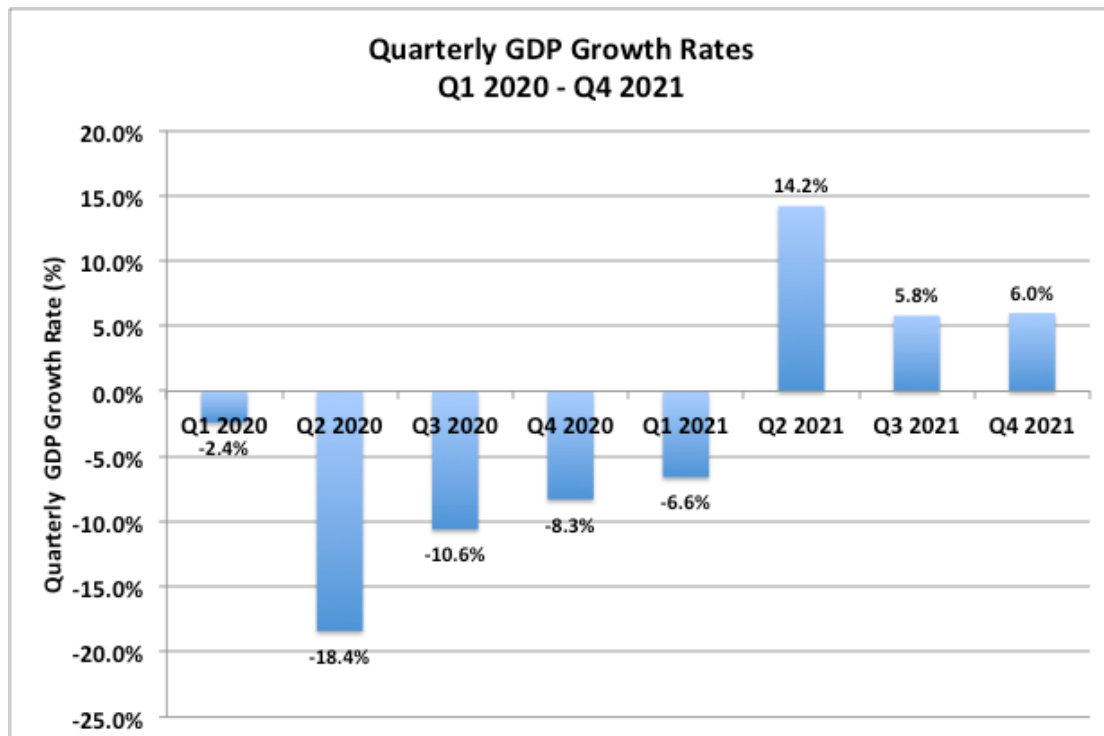
Prime Minister, I know you are working on something for the entertainment sector. Don't tek too long PM, cause I want them to come out. When we have a “dance”, a “round robin”, a “fish fry”, a “cake sale”....

We talking 'bout the “Cane man”, “Soupy”, and all “Nutsy” eat a food out of that.

Young Keisha who get her “pardner draw” and convert that into buying some liquor to sell, add some ice and she borrow a igloo, and two case on top of di igloo on top of di ice....

Is Keisha weekend dinner dat!

So is when Brogad bus all dem people deh, that is when you really going to see and feel the recovery!



Sources: STATIN & PIOJ (Q4 2021 is a PIOJ Projection)

There was great policy coordination across the major economies of the world. That coordination helped, but cannot be considered the major factor for country experiences, because there is great divergence in economic recovery among countries of the world.

And for those who wonder about whether the economy's decline in 2020 is the explanatory factor that explains the rapid growth in 2021:

- Why didn't we grow in 1977 after a 6.7% decline in 1976?
- Why didn't we grow in 1986 after a 4.5% decline in 1985?
- Why didn't we grow in 2010 after a 3.2% decline in 2009?

In our history, economic decline has often been followed by further decline, sadly.

Together, we, the Jamaican society, broke that cycle this time and, hopefully, we have established a template for the future.

Among other factors, our economic recovery benefited from:

First, by putting in place buffers:

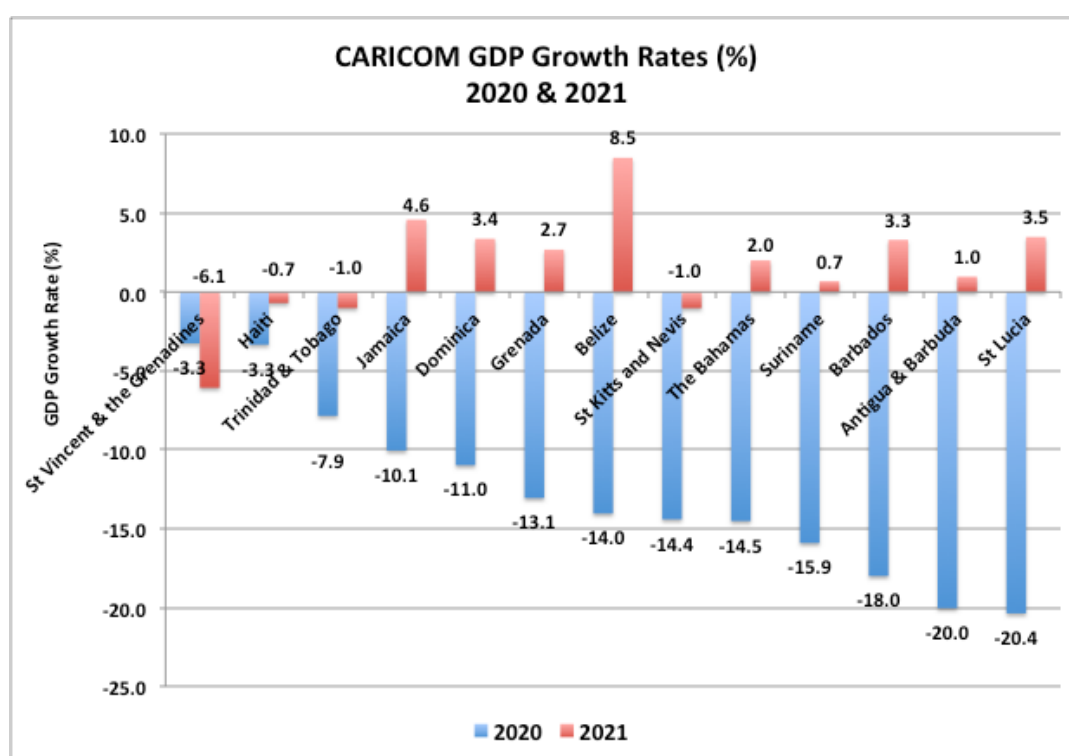
- Fiscal buffers – we took the strategic decision to increase cash cushions through privatisations, reintegration of public bodies, and targeted fiscal over-performance
- Monetary buffers – we took the strategic decision to increase non-borrowed reserves by US\$1 billion since 2016 through the policy choices of exchange

rate flexibility and inflation targeting (which also brought the period of lowest annual percentage depreciation of any administration in the last 30 years)

- Resilience buffers – we took the strategic decision to put away resources in 2018 and 2019 in disaster funds that we were able to draw down in the first few months of the pandemic.
- Capitalised Central Bank – we took the strategic decision to capitalise the Bank of Jamaica with \$20 billion in 2018 and 2019 which allowed it to make unprecedented liquidity injections into the banking system

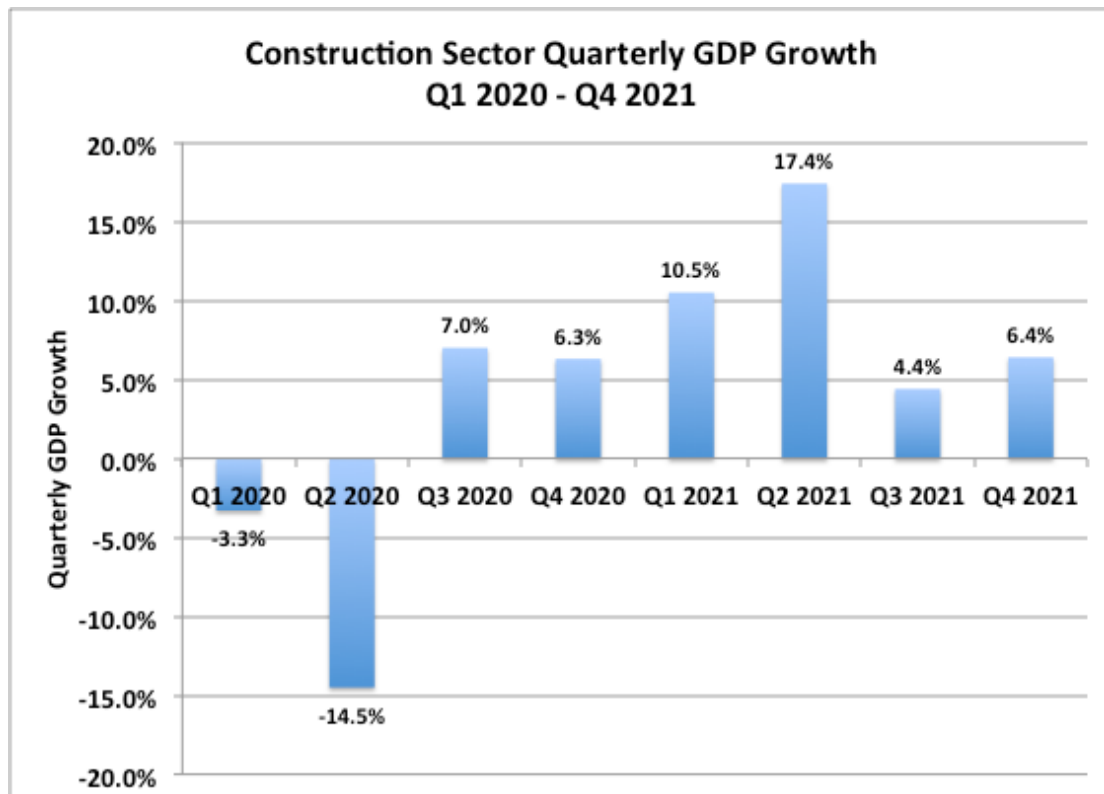
And second, by making sustainable and internally consistent policy choices during the crisis and having the discipline to reject ideas that fell outside of that criteria.

As a result, our economic recovery in Jamaica has been faster and stronger than the vast majority of our peers in the Caribbean, quite a few of whom had the unfortunate experience of a second year of economic decline in 2021.



Source: IMF (excludes Guyana which grew by 20% and 40% in 2020 and 2021 due to natural gas discoveries and production)

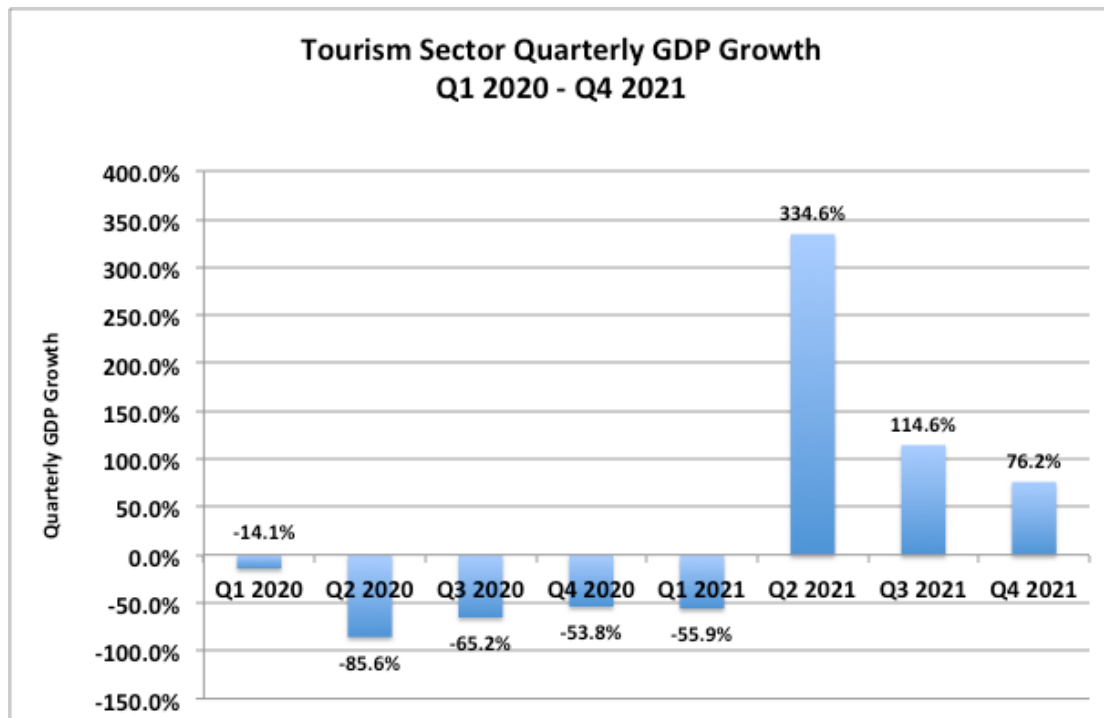
It is also worth noting that the construction industry grew throughout the pandemic:



Sources: STATIN & PIOJ (Q4 2021 is a PIOJ Projection)

The forces unleashed by good policies, including abolishment of distortionary transaction taxes could not be stopped by a mere pandemic!

It is also worth noting that after a dreadful and painful 2020, the Tourism sector returned with a bang, growing over 300% in the second quarter of 2021, over 100% in the third quarter, and over 75% in the fourth quarter:



There is still, however, much more recovery necessary.

It is also worth noting that for the last three quarters of 2021/22, all sectors of the economy recovered strongly and grew with the exception of mining. And the reasons for mining's decline are well understood.

2.2 Employment Growth

Madam Speaker, I am pleased to report that during 2021/22, we recovered jobs at a rapid pace:

There was a growth of 100,000 jobs between July 2020 and July 2021.

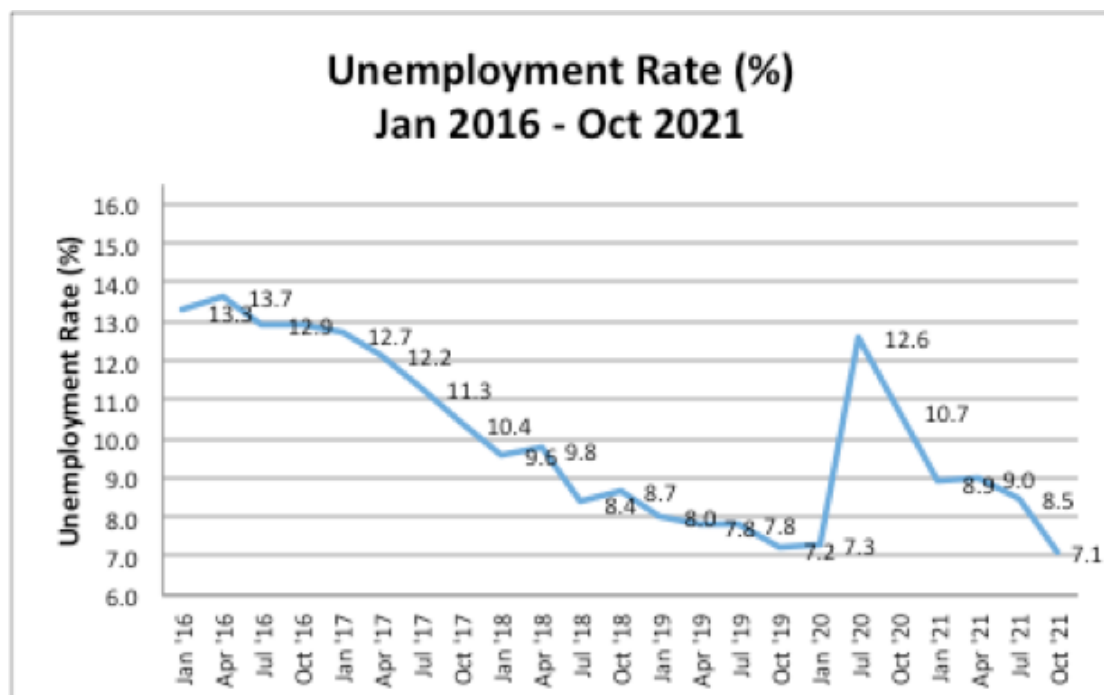
There was a growth of 75,000 jobs between October 2020 and October 2021.



Source: STATIN

In fact, the unemployment rate in October 2021 fell to the lowest level in Jamaica's history, 7.1%, even lower than the pre-pandemic unemployment rate!

Now, the labour force participation rate was slightly lower as more persons stayed home and out of the job market due to various factors, including school closures and taking care of children.



Source: STATIN

There are those who will try to undermine job growth and belittle hard working people in jobs.

But let me tell you everyone of the 100,000 families that benefited from the recovery of a job – they know the value of stable government with good policies.

They have an income again. They are independent again.

For those 100,000 Jamaicans who were at home and now have income – they appreciate the strong recovery.

Of course, we want an economy with higher paying jobs. But I showed you the graph of Singapore's economic growth. They were reliant on textile jobs in the 1960's and 1970's – and they avoided unsustainable policy choices, they did not spend more than they earned, and instead used what they had to get to where they wanted to go.

We, too, will use what we have. We won't curse it. We will use what we have to get to where we want to go.

Again, Madam Speaker, we were ready and prepared to bring people back to work after the crisis.

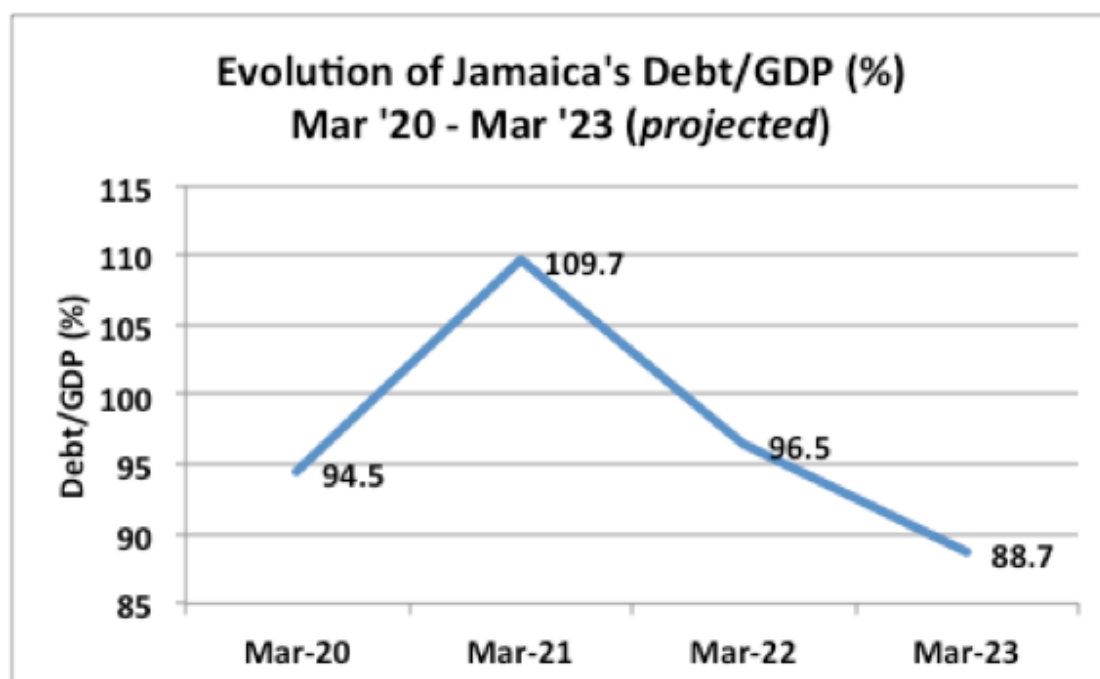
2.3 Debt Reduction

Jamaica's Debt to GDP ratio was 94% in March 2020 and, due to the COVID-19 pandemic, and the measures necessary to slow its spread, this critically important ratio climbed to approximately 110% by March 2021.

For Jamaica, given our vulnerabilities, this was a high and risky level of debt as I articulated in my budget presentation last year.

Well a year later I am pleased to report that along with strong GDP growth and strong jobs growth, we have also significantly reduced our Debt to GDP ratio, which is now *projected* to be 96% by March 2022.

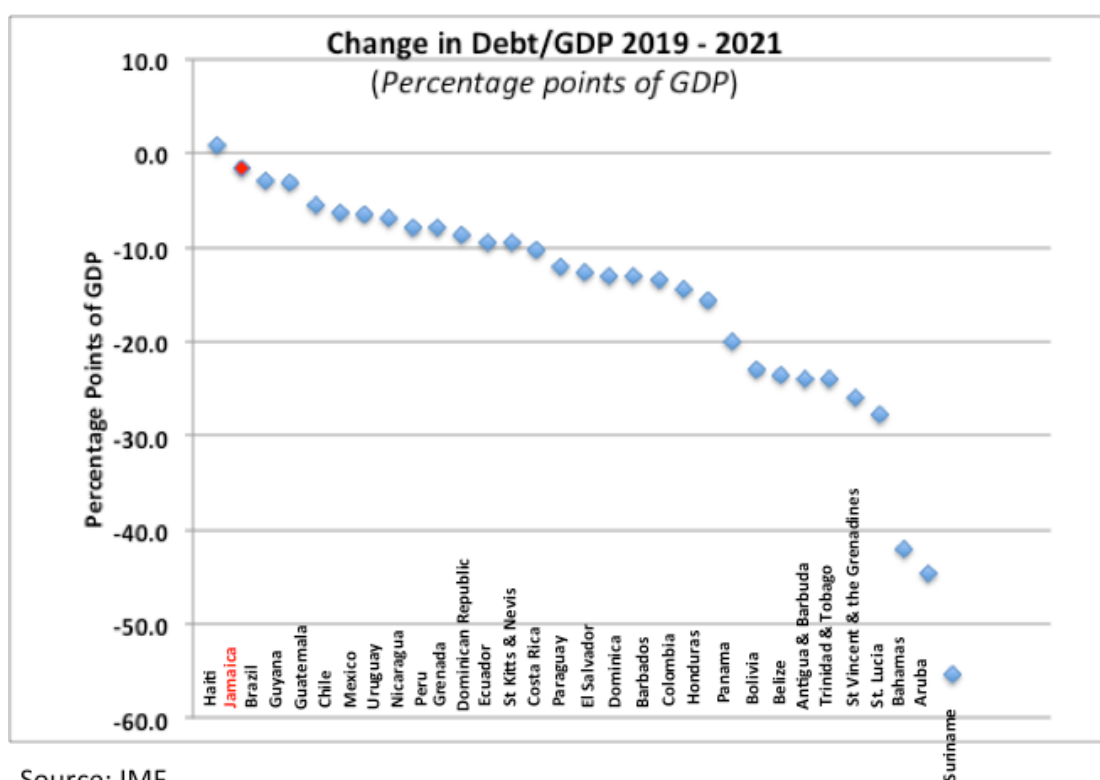
With God's help, and barring any major surprises and exogenous setbacks, by the end of the upcoming fiscal year, we could see this ratio go below 90% for the first time in what would be 23 years! An entire generation!



Source: MOFPS

So the Debt to GDP ratio shot up dramatically and two years later we are projected to recover almost to our pre-COVID debt ratio.

There is a chart in the IMF's 2021 Article IV Consultation on Jamaica, which I have reproduced here.



Source: IMF

For countries in Latin America and the Caribbean, it shows the change in the Debt to GDP ratio in percentage points of GDP, between 2019 and 2021.

Jamaica ranks 2nd among 30 countries of the Latin American and Caribbean region in restoring the national debt level – the Debt to GDP ratio – to almost pre-COVID-19 levels by 2021.

Most countries in the region have Debt to GDP ratios that are still 10 percentage points, 20 percentage points, 30 percentage points, 40 percentage points, 50 percentage points, and even 60 percentage points higher than their pre-COVID-19 levels.

This is Jamaica's achievement. This is your achievement. And this achievement lowers the risk of the Jamaican economy and provides better protection for turbulence.

But let's not get carried away. We are not yet out of the woods, by any means.

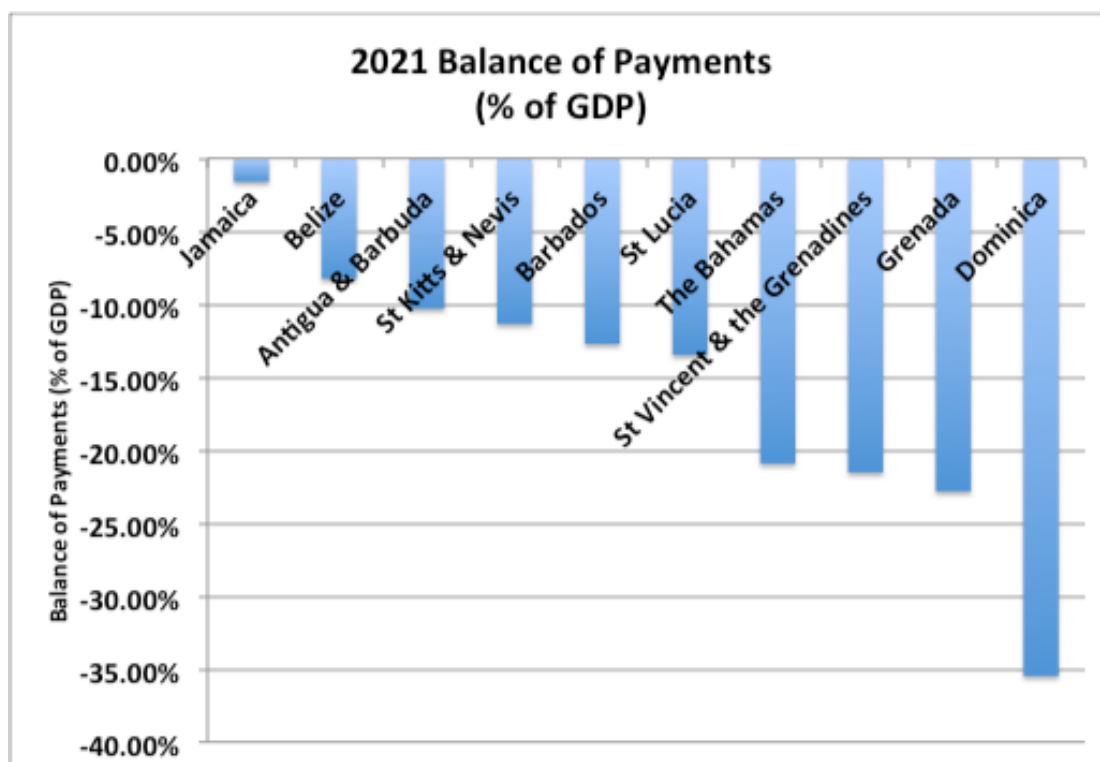
Due to very high levels of debt that now prevail around the world we are likely to see a debt crisis emerge globally and even in the Western Hemisphere.

With God's help, we will steer clear of that so that we recover and restore. And we can continue to build an economy where real per capita Income increases steadily over time.

2.4 Balance of Payments

The Balance of Payments data across the region is even more frightening.

Jamaica achieved a healthy balance of payments position of less than 2% of GDP last year. This is way ahead by "miles" of the balance of payments position of other tourism-dependent countries in the Caribbean.



Source: IMF. *Trinidad & Tobago and Guyana, both commodity exporting economies had balance of payments positions of 13.2% of GDP and -16.8% of GDP respectively for 2021*

2.5 COVID-19 Intervention Expenditure






This recovery benefited from the social and economic support and health expenditure provided during the pandemic.


2.5.1 Social & Economic Measures

This Government delivered direct and indirect support across two fiscal years, as a response to the pandemic, costing \$40.6 billion and representing 2% of GDP.

In Jamaica, where 16% of GDP goes to interest, wages and salary expenditure, which are non-discretionary expenditures, as compared to other countries in our region where the corresponding proportions are between 8% and 12%, finding 2% of GDP in a crisis and still remaining fiscally sound is a big deal.

As we emerge, from the worst of the pandemic, hopefully, it is critically important that we take stock.

BENEFIT	YEAR	DESCRIPTION	NO. OF PEOPLE BENEFITTING	COST
GCT Cut	2020/21	Stimulate the economic activity through the release of resources by a cut in the rate of GCT from 16.5% to 15%		\$14 billion
 SETCASH Supporting Employees with Transfer to Cash	2020/21 & 2021/22 ²	For Jamaicans, on PAYE, who lost jobs during COVID, received monthly stipends from the Government, of \$18,000 per month, over 13 months across two fiscal years in 2020/21 and 2021/22	40,000	\$7.9 billion
 BESTCASH Business Employee Transfer of Cash	2020/21 & 2021/22 ³	Jamaicans working in 167 hotels and attractions received monthly stipends from the Government, of \$18,000 per month, over 13 months across two fiscal years	15,000	\$4.1⁴ billion
 COVID-19 COMPASSIONA Grant	2020/21	Jamaicans earning less than \$1.5 million per annum or Jamaican in the informal economy and not on PAYE	390,000	\$3.9 billion
 COVID-19 GENERAL Grant	2020/21	Jamaicans in various occupational groups impacted by closures brought on by COVID-19 pandemic received grants of \$25,000 and \$40,000	19,086	\$662 million
 COVID-19 TOURISM Grants	2020/21	85 hotels which had little or no revenue during the pandemic and had maintenance costs benefited from COVID-19 Tourism		\$266 million


		Grants of between \$1 million and \$5 million		
	2020/21	1,718 small businesses received grants of \$100,000		\$152 million
Special COVID-19 PATH Grant	2020/21	Extra PATH Payment in period April – June 2020		\$1.1 billion
COVID-19 PATH Back to School Grants	2020/21	Grants of \$8,500 were paid for every student at the primary or secondary level, and a Grant of \$5000 for every student at the early childhood level who were on the PATH student or Poor Relief Programme	203,500	\$1.8 billion
CARE Food Packages	2020/21	Allocations to the Constituency Development Fund for food packages to constituents plus allocations to the Ministry of Local Government for packages through the Indoor and Outdoor Poor Relief Programme		\$339 million
Farmers & Fishermen	2020/21	Productivity incentives through the Ministry of Agriculture used for COVID support for farmers and fishermen		\$1.0 billion
COVID-19 Vaccine Incentive	2021/22	Persons aged 60 and over who are confirmed by the Ministry of Health and	48,769	\$488⁵ million

² Some of these benefits were paid in 2021/22 from under the CARE Component of the SERVE Jamaica Programme.

³ Some of these benefits were paid in 2021/22 from under the CARE Component of the SERVE Jamaica Programme.

⁴ Includes statutory deductions of \$670m which were also paid by the GOJ as part of the BEST Cash Programme

⁵ Based on those confirmed as eligible to date. It is expected that this amount will be paid by March 31.

		Wellness to have been fully vaccinated from COVID-19 receive a grant of \$10,000		
Workers Grant	2021/22	Jamaicans with salaries less than \$15,000 per week or \$780,000 per year will have received grants of \$10,000	42,708	\$427 million
NIS Grant	2021/22	NIS pensioners with pensions less than \$15,000 per month received grants of \$10,000 through the MLSS	57,000	\$570 million
PATH Grant	2021/22	PATH beneficiaries received grants of \$10,000 each through the MLSS	130,000	\$1.3 billion
Social Pensioners Grant	2021/22	Social pensioners received \$10,000 through the MLSS	5,000	\$50 million
Taxi Operators	2021/22	The GOJ paid license fees for approximately 5,000 contract carriage operators and 15,000 route taxis who paid license fees in 2020	20,000	\$125 million
Independent School Teachers	2021/22	Grants for Independent School Teachers in view of fact that, as schools were closed there were no fees from which students could be paid	1,123	\$44.6 million
Entertainment Sector	2021/22	Allocation to the Ministry of Culture, Entertainment, Gender and Sports for grants for entertainers and athletes in view of fact that entertainment and athletic events were not held		\$90 million
CARE Food Packages	2021/22	Allocations to the Constituency		\$448 million

		Development Fund for food packages to constituents plus allocations to the Ministry of Local Government for food packages through Councillors		
CARE Digital Devices	2021/22	Allocations to the Constituency Development Fund for digital devices to constituents plus allocations to the Ministry of Local Government for digital devices through Councillors		\$329 million
CARE Food Packages	2021/22	Special allocation, above normal budgetary allocation, to the Ministry of Labour for CARE Food Package support		\$200 million
Poor Relief	2021/22	Special allocation, above normal budgetary allocation, to the Ministry of Local Government's Poor Relief Programme		\$330 million
Farmers & Fishermen	2021/22	Productivity incentives through the Ministry of Agriculture used for COVID support for farmers and fishermen		\$1.0 billion

In addition, there were temporary waivers of duties, Special Consumption Tax and spectrum fees to facilitate the response, in addition to additional measures undertaken by the National Housing Trust and the Students' Loan Bureau.

2.5.2 Health Sector Support

The following amounts have been allocated to the Ministry of Health and Wellness specifically with respect to financing the COVID-19 health response.

In 2019/20:

\$2.1 billion in March 2020 in the Third Supplementary Estimates of 2019/20.

In 2020/21:

\$6.0 billion in the First Supplementary Estimates of 2020/21, and an additional **\$1.5 billion** in the Second Supplementary Estimates of 2020/21 and **\$0.5 billion** was advanced in March 2021.

In 2021/22:

\$6.0 billion was allocated for vaccines (which includes \$2 billion of donations), and **\$10.3 billion** in the First Supplementary Estimates.

Our direct COVID-19 Health Intervention has so far cost **\$26.4 billion**.

2.6 Inflation

By all accounts Jamaica is on a solid path of economic recovery from the COVID-19 pandemic and leading the way in the Caribbean.

However, these are not easy times. These are unprecedented and unpredictable times.

In January 2022, the United States recorded the highest inflation rate in 40 years. US inflation was 7.5%.

All countries in our region and in our hemisphere and, indeed countries around the world are experiencing record levels of inflation.

Jamaica is no exception, the inflation rate recorded in January was 9.7% the highest in approximately 8 years.

The origins of this inflation are global in nature.

The COVID-19 pandemic has had a convoluted and distortionary negative impact on global supply chains, which has resulted in rising global commodity and shipping prices. The prices of oil, wheat, corn, soybeans and other commodities on which we depend have skyrocketed. In addition, the price of shipping containers from the Far East has tripled.

And these have unleashed a chain reaction of other price increases.

Commodities are at the base of production and so when commodity prices rise this results in an upward pressure on the prices of many other goods.

We have been experiencing that in Jamaica. Prices of food items have been rising, and in some cases food prices have risen above the headline inflation rate.

Most recently, the price of oil has risen to multi-year highs. The conflict in Ukraine may mean that oil prices stay high for longer.

Rising food and oil prices create discontent. No one likes inflation.

This Government will continue to protect the most vulnerable. Jamaica is not promised a life without challenges. However one cannot solve a problem by creating another

problem. And, as we know from our history that unsustainable policies, however well-intentioned, often lead to ruin.

As such, even in challenging times we have to maintain the resolve to act prudently while protecting the most vulnerable and those most at risk.

Let me tell you how we are doing today.

This month, March 2022, the Ministry of Labour and Social Security plans to expand its reach to include needy families who are not in receipt of PATH grants.

Through the Ministry of Labour and Social Security, the Government of Jamaica is partnering with the Jamaica Red Cross, Food for the Poor, Council for Voluntary Social Services, Adventist Relief Association, and several other Non-Governmental Organisations to identify persons in need, who are not already on the PATH Programme, at a cost of \$200 million. Qualified families are set to receive a one-off grant of between \$10,000 to assist in covering their food expenses.

Importantly, these payments will be made electronically.

This is immediate. Right now.

In April, we will continue this intervention with a further \$250 million in support for CARE packages to the most vulnerable through the Constituency Development Fund - \$3 million per Member of Parliament and the balance through the Ministry of Local Government for Municipalities.

We have made provisions to be in a position to follow up with another \$250 million later in the year, depending on how the situation evolves.

As a longer term measure this Government will work towards improving Jamaica's food security – grow what we eat and eat what we grow. Food security is critical for Jamaica. Former Prime Minister the Most Hon. Bruce Golding, whose government also presided during a period of immense crisis, championed increasing Jamaica's food security. This is a Jamaica Labour Party issue. The Prime Minister and Minister Parnell Charles will likely speak about this further in their presentations.

3.0 Pursuing Reform with Ambition

As we recover, we want to recover better than before. To do so, we have to pursue reform with ambition.

The purpose of the reform agenda is to improve efficiency, transparency, and fairness, while providing the framework to accelerate economic growth and development.

3.1 Repeal and Replacement of the Customs Act

The Government of Jamaica will repeal and replace the decades old Customs Act 1941 with a modern Customs Act that is consistent with international best practice.

The 800-page Bill to repeal and replace the decades old Customs Act has been before a Joint Select Committee (JSC) of Parliament. I am happy to update this House that the work of the JSC is substantially completed and the report is now being finalised

Assuming parliamentary approval we will have a brand new Customs regime in 2022/23 that will enhance productivity and efficiency of the Jamaican economy.

3.2 Taxation

We are working on a fundamental update to Jamaica's tax architecture. Clear and coherent laws, capable of easy administration, are integral to investment decisions and to providing a predictable business environment.

The suite of laws, which we intend to introduce, are intended to:

- foster the ease of doing business;
- stimulate a sustainable path of development by creating a more equitable tax system; and
- leverage the opportunities in a dynamic global tax landscape

3.2.1 Income Tax Act

As I mentioned in my address during the last year's budget debate, the Income Tax Act is being revised. This decades old law has been amended in an *ad hoc* manner, resulting in some amount of incoherence and difficulty in administration. Additionally, Jamaica has signed several tax treaties over the years, but these international tax obligations have not been incorporated into domestic law.

This review of the Income Tax Act will be advanced during the year.

3.2.2 Large Scale Project and Pioneer Industry Act

This piece of legislation was passed in 2014 in order to implement a new standard with respect to the treatment of fiscal incentives where the preference is for the utilisation of a more responsible approach to tax expenditures, and the use of targeted tax credits rather than wholesale tax holidays.

As we aim to attract larger, US billion dollar investments, it is imperative that we do so within prescribed structures which will ultimately safeguard our economic sustainability. In view of this, the Act is intended to undergo a series of amendments which seek to create a coherent and self-contained legislative framework for the granting of fiscal incentives in respect of qualifying large-scale projects in a rules-based and transparent manner.

We will table this legislation in the upcoming fiscal year.

3.2.3 Amalgamation of Payroll Deductions

The policy is predicated on tax reform and the tenets of a simplified taxation system to reduce distortion, and to significantly increase the ease and reduce the cost of doing business by consolidating four statutory deductions into one.

It should be noted that the tax reform for the amalgamation of payroll statutory deductions has been a long-standing one, with the process commencing from as far as 2007.

It is proposed that the legislation to give effect to this will be before the House in the next fiscal year.

3.2.4 New Tax Sanctions Legislation

It is proposed that all the sanctions in the various tax legislation be put in one uniform “Sanctions Code” to facilitate the ease of access by the taxpayers and the administrators. Jamaica received technical assistance from the World Bank in the design of this Sanctions Code, with the intention for the House to have sight of a Bill within the next fiscal year.

3.2.5 Amendment to the Revenue Administration Act to introduce Automatic Exchange of Information

Jamaica is a signatory to a global treaty to automatically exchange financial information across jurisdictions to increase efficiency in international tax cooperation and to promote a fairer global system.

Legislative amendments to this effect were passed in 2020 to take effect in 2022. Effective May 2022, financial institutions will be required to submit information to Tax Administration Jamaica in May 2022 and exchanges of information with relevant jurisdictions will begin in September 2022.

3.3 Independent Fiscal Commission

A search committee has been established to identify a suitable candidate to lead Jamaica’s Fiscal Commission.

The search committee is led by Mr. Calvin McDonald, a Jamaican economist who recently retired as Deputy Secretary to the IMF Board.

We expect the Fiscal Commissioner to be appointed in the upcoming Fiscal Year and the selected candidate will lead the establishment of that office.

The Fiscal Commission will be the guardian of Jamaica’s fiscal rules and will assist in nurturing an environment that is conducive to fiscal responsibility long into the future.

3.4 Governance

In a democratic society, public trust is the only currency we have. Our institutional arrangements must always be designed to foster and increase public trust. The greater the public trust that exists, the more a government can do in the interest of the people.

One institution whose existence is particularly critical to public trust is the Office of the Auditor General.

In a free and democratic society the role of the supreme audit institution is crucial, which is why that institution is embedded in our Constitution, reports only to Parliament,

and has independence, security of tenure, and other institutional structures to protect the integrity of that office.

One activity that increases public trust is timely annual audits. The Auditor General is currently responsible for the audit of Financial Statements prepared by Municipal Corporations, some Statutory Bodies, Executive Agencies, and some Internationally Funded Projects as well as the annual Appropriation Accounts of Ministries and Departments.

These audits are undertaken to express an opinion on whether the Financial Statements/Appropriation Accounts prepared and presented by management are free from material misstatements and are presented in accordance with the applicable financial reporting framework.

As at March 2021, unrepresented financial statements amount to 348, spanning financial years 2008/2009 to 2019/2020. Of this number, 188 represent Appropriation Accounts and 160 represent the Financial Statements of public bodies.

This is unacceptable.

To facilitate compliance with the law and to improve the public financial management landscape, the backlog of Financial Statements/Appropriation Accounts must be cleared. I know that it has been difficult to recruit and retain staff, but I expect the Compensation Restructuring to partially alleviate that challenge.

Madam Speaker I am pleased to update that \$89 million in additional resources has been provided to the Office of the Auditor General for the Backlog Audit Project which is aimed at clearing the number of unaudited Financial Statements prepared by Municipal Corporations, some Statutory Bodies, Executive Agencies and some Internationally Funded Projects, as well as the annual Appropriation Accounts of Ministries and Departments.

3.4.1 Nomination, Selection & Appointment of Public Body Boards

Implementation of the Regulations for the *Public Bodies Management and Accountability Act* in Respect of the Nomination, Selection and Appointment of Boards of Public Bodies will begin in the upcoming fiscal year in accordance with the phased process provided for by the law.

The general operation date for the Regulations is four (4) months after publication in the Gazette. This will allow steps to be taken to operationalise certain activities including those relating to the creation of the Database of Prospective Directors. Various regulations regarding selection and appointment procedures, including fit and proper tests, will come into effect ten (10) months after the date of publication in the Gazette.

While the Ministry of Finance and Public Service awaits the Gazetted Regulations, we have established an implementation plan, along three pillars: (i) staffing the Technical Secretariat, (ii) developing a public communication plan, and (iii) establishing and populating the database of Prospective Directors.

3.4.2 Disclosure of Ownership of Companies with Government Contracts for COVID-19 Expenditure

In response to the COVID-19 pandemic, the GOJ deployed tens of billions of emergency expenditure.

The GOJ made a commitment to disclose beneficial ownership of companies that supplied goods and services related to COVID-19 expenditure. Beneficial ownership is understood to be as is defined in the Companies Act.

As the IMF urged countries at the time, “spend but keep the receipt”. This disclosure will take in place in the spirit of deepening fiscal transparency.

4.0 Building Social and Financial Resilience with Ambition

4.1 Catastrophe Bond

In July 2021, we advanced Jamaica's strategy to counter the fiscal risks of natural disaster with the successful placement of a US\$185 million (J\$28 billion) catastrophe bond in global capital markets, with technical assistance from the World Bank and financial support from the Governments of the United States, through USAID, and the United Kingdom and Germany, through the Global Risk Facility.

A catastrophe bond transfers catastrophic natural disaster risk from a sponsor (in this case Jamaica) to international capital market investors and this was the first Catastrophe Bond ever independently sponsored by a small island state.

Fitch, the international credit rating agency, in their published analysis of our catastrophe bond earlier this year, reported that the catastrophe bond "significantly strengthens (Jamaica's) disaster risk mitigation strategy."

Significantly, Fitch commented that, of all the catastrophe bonds that the World Bank has issued, this is the largest in relation to the size of the sponsoring country's economy.

4.2 Private Pension Reform

We intend to repeal and replace the Pensions (Superannuation and Retirement Schemes) Act, 2004 to address matters such as vesting, portability, indexation, and other reforms geared towards making savings toward a private pension more attractive.

Private sector pension coverage was less than 12% as at June 2021. This means that the vast majority of persons in the private sector will only have NIS to rely on in retirement.

While this is better than nothing, income replacement is not an objective of the NIS. As such, the low penetration of private sector pensions is a concern.

The reasons for this low participation are multifaceted and include the view that the pension regulatory framework is too rigid for the kind of fluid labour market we have. In the circumstances where someone changes jobs they have the dismal choice of withdrawing all of their contributions (but not the employer's portion) or a deferred pension, both of which are sub-optimal.

Under the new act, pension rights will be portable. So, in the example above, the person will be able to carry his/her pension with him/her, including the contributions of their former employer, once they have worked for a prescribed period of time.

Some pension schemes have an intolerable length of time for vesting which our partners in the labour movement have long pointed out as inequitable. We stand with the labour movement on this. This landscape works against the kind of inclusive and equitable growth that we stand for. The Government of Jamaica will therefore introduce mandatory vesting of pensions after 5 years.

On the other hand, the new Act will lock in mandatory pension contributions after a certain period of time while allowing for refunds of voluntary contributions.

In addition to the social benefits, pension funds will become longer term focused as the frequency of contribution refunds will be dramatically curtailed.

The new Act will allow for simultaneous membership of a pension scheme and an individual retirement scheme, which is prohibited today.

The new Act will also allow for innovation in pension pay-out products. The traditional life annuity, by paying a fixed amount over the life of a pensioner, protects against longevity risk. However it does not allow the pensioner to leave an inheritance no matter how much his pension savings are. Annuities stop the moment he/she transitions. This too is a disincentive. Other forms of pension pay-out products will be allowed under the new act, broadening the appeal of pensions.

The Act will be drafted during the upcoming fiscal year and, with the assistance of the new Minister of Legal Affairs, will be tabled by the end of the fiscal year.

By making pensions more attractive, we increase the pool of long-term savings in the country while strengthening the social safety of the society.

4.3 Unemployment Insurance

While we are recovering from the COVID-19 pandemic we cannot forget the lessons we have learned.

In the Global Financial Crisis, which started in 2008, we lost 100,000 jobs over four years.

In 2020, it was frightening for many to witness or experience 150,000 job losses in four months.

We had no pre-existing institutional mechanism with which to respond. We had to improvise. Within weeks of the first COVID-19 case in Jamaica we launched the CARE Programme, accessible through an online portal via computer, tablet, or mobile phone.

Eventually 55,000 Jamaicans who lost their jobs benefited from monthly stipends from the Government of Jamaica for 13 months through the SET Cash and BEST Cash programmes.

This experience exposed a glaring gap in our social security arrangements.

Consistent with the recommendation of the COVID-19 Economic Recovery Task Force, therefore, the Ministry of Finance and the Public Service, through the Planning Institute of Jamaica, and with technical and financial support from the International Labour Organization and the guidance of a Technical Oversight Committee, embarked on a feasibility study for unemployment insurance in Jamaica in May 2021.⁶

⁶ Unemployment insurance has been discussed in Jamaica for a long time. Prior to the recommendation of the COVID-19 Economic Recovery Task Force it was also a recommendation of the Labour Market Commission. Several decades earlier unemployment insurance featured heavily in the parliamentary debate establishing the National Insurance Scheme in the 1960's as the next social security benefit.

Unemployment Insurance aims to protect employed persons against the risk of job loss and it facilitates access to partial income during spells of unemployment.

We are not alone. Within the CARICOM region, only Barbados and the Bahamas had unemployment insurance schemes in place prior to the onset of the COVID-19 pandemic which provided them with a pool of funds with which to respond, topped up by their consolidated fund.

Due to the exposure of this weakness brought on by the COVID-19 pandemic, my understanding is that several countries in the region are exploring unemployment schemes with the ILO, including Belize, Dominica, St. Lucia, Grenada and Trinidad & Tobago.

In Jamaica we have completed the first two of three phases of the Feasibility Study as a precursor to implementation, which have yielded assessments on:

- the labour market
- institutional capacities to administer unemployment insurance
- labour legislation regarding the termination of employment; and
- the potential cost of implementing unemployment insurance

We have also undertaken several consultation exercises with tripartite stakeholders - trade unions, employers, and other government entities. These will continue.

The third and final phase is set to commence this month and entails the design of the legal and operational frameworks and a roadmap for implementation.

The study will be completed by June 2022. On completion, the findings and recommendations will be submitted to Cabinet for a decision on implementation.

For Jamaica, the implementation of unemployment insurance would mean several things:

- First, it would ensure the provision of income support to the unemployed, provided they have contributed to the scheme and are eligible to receive payments
- Second, unemployment insurance would complete Jamaica's social protection floor, as it is the only missing element of the floor articulated in the Jamaica Social Protection Strategy of 2014; and
- Third, a well-designed unemployment scheme can serve as an important macroeconomic stabilisation tool during periods of economic downturn by strengthening Jamaica's ability to respond to economic shocks, while reducing the risk of poverty among workers and their families in periods of crisis.

Social security reform has been an indelible feature of the Andrew Holness government.

It is this Government which introduced the social pension to Jamaica. With the consent and support of former Minister of Labour and Social Security, Shahine Robinson of

blessed memory, the Ministry of Finance and the Public Service led the policy development of this reform with technical assistance from the World Bank.

Minister Karl Samuda is now leading the implementation and today we have 7,000 social pensioners who had no other source of income before and who now receive a modest monthly stipend.

This Government also introduced the Tourism Workers Pension Scheme for tourism workers, an initiative that benefited from Minister Ed Bartlett's stewardship.

And this Government is working towards providing unemployment insurance for all working Jamaicans.

It was the original intent that after the establishment of the National Insurance Scheme, unemployment insurance would have been the next social security benefit after the initial suite of pension benefits.

This is well documented in the Parliamentary debates in Hansard.

We will restore that vision through recovery and reform.

We believe in Recovery, Reform and Restoration.

5.0 Deepening Financial Inclusion

5.1 Banking

We need to engage in a substantive public discourse on banking and banking fees in Jamaica.

This is a source of agitation in our society. There is a feeling – and a reality – that bank fees are too high for too many people, especially those least able to afford them. There is also the sense that banks are insensitive in their pricing and how these prices are communicated.

I want to empower you with knowledge and preserve for you freedom and choice.

With greater knowledge comes greater freedom and choice ...

Let's start with the foundational principle that a healthy economy needs strong, well-run financial institutions, and in particular deposit-taking institutions, such as banks.

A weak or failing banking sector exposes an economy to financial instability, which can be very costly. It will end up taking approximately 30 years, more than a generation, for Jamaica to pay off the massive national debt incurred from the 1990s banking sector crisis.

Retail Banking in Jamaica is not nearly as profitable as many believe.

First, many retail banks are parts of larger financial groups and contribute about one-third of the overall profits of the financial group.

Second, the average return on equity of deposit-taking institutions in Jamaica at the end of 2020 was 9.4%,⁷ which is much lower than many other industries in Jamaica.

Third, bank branch networks in Jamaica are very expensive to maintain, with most banks reducing, rather than opening new branches.

In fact, while many persons are rushing into industries like property development or retail, few are lining up to open a retail bank.

Fourth, banks pay higher taxes than most other sectors of the economy. Banks pay a corporate income tax of 33 1/3%, which is 1/3 higher than the tax rate paid by most other companies of 25%.

On top of that, there is the very counter-productive asset tax where the Government imposes a tax every time a bank provides a customer with a loan.

In fact, taxes can represent 50% or more of a bank's pre-tax operating profits. You won't see that on their income statement as not all of the taxes charged by the Government are assessed on income.

This heavy taxation contributes to the high cost structure of retail banking.

⁷ BOJ. This is likely to improve in 2020

This is not something we can change overnight, because the revenues generated are high and the alternatives to that revenue are few.

In 2020, I announced a partial reduction in the asset tax for financial institutions on the condition that it is passed on to consumers, but we had to reverse that decision due to the impact of the pandemic, which decimated the Government's revenues.

In addition, Jamaica has a huge problem with crime, resulting in disproportionately high security costs to banks. Cheque fraud is staggeringly high, for example, and many banks no longer cash checks in their branches as a result. This is an inconvenience. The scamming of credit and debit cards is also high, and the theft of entire ATM machines is not uncommon.

Moving cash is particularly expensive because of high levels of crime and therefore the cost of insurance. There is a fair amount of illegal cash in Jamaica, especially foreign cash, and Jamaica has been placed on a special international watch list because of the heightened risk of money laundering.

Banks are therefore forced to implement special compliance mechanisms that are costly to administer to ensure that illegal cash does not infiltrate the banking system.

In fact, over the past few years, Jamaica has had only one international correspondent bank, which accepts US\$ cash from Jamaican banks – most correspondent banks deem Jamaica too risky.⁸

Now, many banks price their price for purchasing US\$ cash really low, which some believe is rapacious. However, banks face high compliance risks and compliance costs and would rather you keep your US\$ cash if it means they also keep illegal US\$ cash out of the banking system. Sadly, the good end up suffering for the bad.

Banks have responded to the cost structure of retail banking in Jamaica by encouraging customers out of banking halls, in part by charging more for in-branch transactions.

Banks have increasingly directed customers toward less-costly channels such as online, mobile, and ATMs, a largely successful strategy as today only 4% of banking transactions occur within branches.

Now, have there been issues? Absolutely.

Are there still issues? For, sure.

But let's be very clear about what the issues have been and what the issues are today.

In the past, banks went overboard with fees like charging fees on dormant accounts. That was not good and I'm happy to say that practice doesn't exist anymore.

Banks would also apply fees without much regard to the nature of the account. So person making \$10,000 a week could end up spending an appreciable sum as a proportion of their income on bank charges whether at the ATM or otherwise.

⁸ However, Jamaica has several correspondent banking relationships for wire transfers

And let's be clear that much of what we see is a symptom of a deeper, more fundamental issue.

The vast majority of fees collected by financial groups are paid by companies for debt and equity transactions and stock market traders, demographics better able to make informed choices about financial service providers and better positioned to afford the fees.

The key issue is the intersection of the fee structures on the vulnerable members of our society. That is the issue. And that is where our concern ought to be concentrated.

We do not believe that telling banks what they must charge for a package of services solves this problem. We hold this view, as we know it would make matters much worse.

We don't believe in telling the market vendor what she should charge for mangoes or the sky juice vendor what he should charge for a bag juice.

There is lot of history of failure with the policy of price fixing. History has taught us that when you fix prices, quantity inevitably declines and quality frequently suffers.

The reason is simple: if it is unprofitable to provide the services at the fixed price, the provider will simply choose not to provide the service and then we have a real problem. You can't compel anyone to operate at a loss.

Also whenever you try to fix prices instead of dealing with the fundamental underlying malady, the entity whose prices have been fixed will simply pass the costs unto consumers in other, potentially more damaging, ways.

We don't believe in telling people what to do and in fixing prices. We don't fix sky juice price, we don't fix bulla price, and we are not fixing no price.

We do, however, believe in protecting the poor and vulnerable.

We do, however, believe in making more information available and allowing individuals to make their own choices.

We do, however, believe that such a system is ultimately superior to one where you are told what to do.

There was a time we used to fix who could bring in food into Jamaica. You know what happened?

The business people just set up shop in Miami and became the suppliers of the basic foods to Jamaica. Instead of making their money here in Jamaica, they made it in Miami.

There was a time we use to fix who could import cars. You know what happened?

The restriction created a shortage and led to massive increases in the price of cars.

Knee jerk price fixing doesn't work, no matter how much you shout or scream.

Solving fundamental structural problems work. Freedom works. Protecting the vulnerable works.

So what are we doing about it?

- We passed an amendment to the Proceeds of Crime Act that allows the Bank of Jamaica to permit the creation of accounts with low risk and less stringent Know Your Customer requirements for opening bank accounts and with a maximum amount that can be held in this account
- These accounts will be free of any bank fees
- These accounts already exist and the expectation is that there could be as many as a few hundred thousand of these accounts where no fees will be charged. That is up to the consumer.

What else will we do?

- We will reduce the counterproductive asset tax on retail banks and financial institutions – not today – but as soon as we can afford to, on the condition that they pass the savings unto consumers.
- We will catalyze greater competition among financial institutions by encouraging public bodies and Government entities to maintain diverse deposit and current account relationships.
- We will actively welcome new investors who meet BOJ's criteria for licensing into the retail banking business.
- In addition to incentivise and encourage the take up of these low-risk, less stringent, Know Your Customer, no-fee accounts the GOJ will deposit to each of the first 100,000 accounts \$1000 to the first 100,000 bank customers who open one of these accounts after April 1.

The policy objective of this government is to protect the vulnerable. We will never resile from that.

We will empower you with knowledge and preserve for you freedom and choice. If you choose a low KYC account you will pay no banking fees.

What else will we do?

- Jamaica's own Central Bank Digital Currency, Jam Dex, will become a reality in Jamaica in 2022

5.2 Central Bank Digital Currency

As I announced in last year's opening budget presentation, as part of the Government's digital transformation of the economy, the Bank of Jamaica carried out a pilot of the central bank digital currency (CBDC) in May 2021 which ran until December 2021.

The pilot was successful.

CBDC is a digital form of Central Bank-issued currency, which is legal tender. As legal tender, CBDC is fiat currency, which means it can be exchanged dollar for dollar with physical cash. It is not a cryptocurrency. Households and businesses will be able to use CBDC to make payments and store value.

Jamaica's CBDC is called Jam DEX which stands for Jamaica Digital Exchange.

Jam Dex allows for the remote transfer of funds, anywhere and anytime which reduces the hassle faced with cash transactions today. You can transfer to anyone in Jamaica who has an electronic wallet anywhere and at anytime. It has revolutionary potential. And Jamaica has begun this journey.

Jam Dex allows businesses more efficient cash management as it is instant and does not come with huge cash handling fees.

Jam Dex allows for greater financial inclusion. It has the potential to bring the unbanked into the financial system.

All Jamaicans will have access to Jam Dex through a Jam Dex-enabled wallet provider – a payment service provider or a bank.

Users can obtain a Jam Dex wallet automatically if they already have a bank account.

If you don't have a bank account, all that is required to set up a Jam Dex-enabled wallet are simplified Know Your Customer information:

- a. Name
- b. Address
- c. Date of Birth
- d. Tax Registration Number (TRN), and
- e. A valid government issued photo ID such as a driver's license, passport or voter identification card. Of course, once NIDS is fully implemented, this will be accepted.

To carry out Jam Dex transactions anywhere and at any time, consumers will be able to access, download and deploy a mobile wallet app on any mobile device (phone, tablet or similar device) using the networks of either of the two major telecommunication service providers.

Customers will be able to top-up their accounts with Jam Dex through all authorised agents or smart ABMs using physical cash, or online and do business using Jam Dex phone-to-phone with merchants, friends, and family.

The COVID-19 pandemic has changed lots of things. People have had to improvise and innovate. I have a barber, Paul, who used to operate from a shop before COVID. Since COVID, Paul turn mobile.

He came to my house yesterday to give me a haircut prior to this presentation. When he was finished, I realised that I didn't have the cash to pay, I only had some.

So he said to me, "You can pay me using Jam Dex man!"

I said, "What?" with a quizzical look.

He responded, "Jam Dex man, the new Central Bank Digital Currency, Mi in a di pilot."

Paul is here today and I am going to log into my Lynx account to pay Paul the \$500 I owe him in Central Bank Digital Currency or JamDex.

...

DONE.

That is the first public Jam Dex transaction ever done in Jamaica.

You know the best thing about Jam Dex? No bank fees.

You know another best thing about Jam Dex? No Cash, No Problem.

You know another best thing about Jam Dex? You can transfer phone-to-phone.

You know another best thing about Jam Dex? Anywhere, Anytime.

On the liberalisation of the telecommunications market and the entry of a new market participant I heard a politician say:

"You can call yusef!" referring to the ability for you to use one phone on one network and call the other on another network.

The humour was appreciated.

But fast forward to 2022 I am here to tell you, that with phone-to-phone Jam Dex

"You can pay yusef!"

So what are we doing about the problem?

We are using technology to solve the problem.

The National Roll-Out of the CBDC is scheduled for the beginning of the next quarter.

A key milestone to be accomplished by Bank of Jamaica and the Government during the upcoming quarter is to bring legislation to Parliament to facilitate Bank of Jamaica being the sole issuer of Jam Dex and for it to be legally recognised as legal tender.

The BOJ expects to add four more additional wallet providers by June.

A network is more successful the larger it is. The more corner shops, vendors, and bars that accept Jam Dex is the more useful it becomes and the more widespread its use.

We will incentivise corner shops and informal and formal community businesses to establish Jam Dex electronic wallets and to facilitate payments in Jam Dex.

So pardna draw can keep on Jam Dex. You can make you pardna payment and collect your draw on Jam Dex.

So Keisha wid di igloo, some liquor pon ice ... Jam Dex is for you.

Soupy, Jam Dex is for you.

All Cane man and Nutsy ... Jam Dex make you life simpler and easier.

The discourse on banking needs to also take place in the broader context of a seismic shift in the society and in the world - and that is the rapid move towards a digital society.

5.3 Technology changes in banking

This shift was well established prior to the pandemic but was greatly accelerated due to the necessities created by the pandemic.

As such digital innovations are reshaping society at a scale and speed never seen before.

Now Jamaica will have no choice but to keep up with the world, or even get ahead in the digital revolution underway.

To resist this change is to be left behind and Jamaica cannot afford that.

6.0 Population Census

The last population and housing census was conducted in Jamaica in 2011. We were planning Jamaica's 15th Population and Housing Census in 2021, thereby maintaining the 10-year frequency following from censuses conducted in 1991, 2001 and 2011.

The pandemic however resulted in us losing 2020 as the preparatory year and, as such, critical supplies to support the execution of a census were not available in time for 2021.

In light of these factors, I am pleased to announce that Jamaica will now conduct its 15th Population and Housing Census in 2022.

The population and housing census is not simply a count of the population. It is the only statistical product that provides information on the social, demographic, and economic profile of the population, the conditions under which they live, and housing characteristics at the lowest geographic level of a country.

Generating relevant, accurate, timely, and detailed statistics is the foundation for sound policymaking, evidence-based decision making, efficient management of economic and social affairs, and effective governance. The data from population census is also used by the private sector and influences the location of businesses and services.

The census day will be September 12, 2022. A count will be made, and data collected in respect of persons who are usual residents of Jamaica (whether physically present or not) on that date. This will provide an estimate of the Jamaican population at a single point in time.

Recruitment and training of 8,000 temporary field workers including area managers, census supervisors, census takers, and data editors is underway. Interviewers will be deployed islandwide to visit each household, private and non-private, to complete a questionnaire for each household and each member of that household. Special arrangements will be put in place to enumerate the institutionalised population and those of no fixed abode.

The main data collection phase is expected to last up to December 2022 with a general census report available by December 2023.

7.0 Marcus Garvey Scholarships

The Marcus Garvey Public Sector Graduate Scholarship was established in 2020 by the Ministry of Finance and the Public Service as a human capital development tool for our public sector.

Scholarship recipients pursue graduate studies in areas that align with Jamaica's national priorities and strategic objectives, at appropriately accredited universities in Jamaica, North America and Europe, and are obligated to return to continue serving in the public sector after completion of their studies.

The Marcus Garvey Scholarship Programme was conceived to ensure that the next generation of leaders in the public service has the best opportunities in the world to improve and add to their skills.

The Scholarship Selection Committee is chaired by His Excellency the Most Honourable Sir Patrick Allen and I am proud that in 2021 the first cohort of thirty (30) Marcus Garvey Scholars was selected.

They will be attending UWI, UTech, Harvard, Johns Hopkins, and Cambridge Universities to pursue graduate studies in a range of disciplines including economics, education, public health, national security, urban planning, climate change, law, and procurement that align with the Government's policy focus.

We are proud of the fact that the Marcus Garvey Scholarship is the largest and most ambitious scholarship programme in Jamaica's history.

8.0 Students' Loan Bureau

In July 2021 the SLB celebrated 50 years. It owes its origins to the government of Prime Minister Hugh Shearer in which the late Most Hon. Edward Seaga served as Minister of Finance.

The Students' Loan Bureau (SLB) approved 11,092 student loans this year, an increase of 1,090 or 10% over the previous year.

Last year, 43% of students submitted their application online with document upload functionalities now enabled.

With the new loan management system being procured, all applicants and guarantors will eventually submit applications using the online portal which will improve processing times and the customer experience.

The SLB is embracing the GOJ's digital strategy.

With the online system customers will be able to pay online and enquire about loan balances online.

In this upcoming fiscal year the SLB expects that up to 3,000 students, who qualify based on needs, will benefit from \$150 million in grants.

9.0 Public Sector Compensation Restructuring

I want to turn my attention to the restructuring of public sector compensation, the implementation of which will begin this upcoming fiscal year.

This reform does not stand on its own but is accompanied by public body rationalisation, introduction of the human resource software, MyHR+, across the public sector, digitisation of public sector services, and implementation of shared services. These are all critically important reforms, which are ongoing.

Today, however, I want to address the restructuring of public sector compensation which is an ambitious and complex, yet necessary reform.

Let me start by recognizing our partners in the unions and bargaining groups on multiple fronts.

First, they gave the Government the space to put the proposals in place by agreeing to a four-year wage agreement in 2018. I can safely say that your trust and confidence in the Government has resulted in a significant gain in addressing the longstanding issues of equity, uneven application of increases, and inadequate salaries.

Unfortunately, we had to delay the implementation of the compensation restructuring due to the increased expenditure and collapse of revenues from the pandemic.

Before my budget speech last year, I met with all unions and bargaining groups and laid out the case for a modest salary adjustment in the public sector for 2021/22 and I repeated this proposal in my opening budget speech last year. To do otherwise would have risked the stability on which our economic recovery depends.

Over the past 12 months I have had the opportunity for detailed dialogue with our partners in unions and bargaining groups. As conditions improved with the first quarter recovery we were able to favourably adjust our modest offer. And though it has not all been smooth sailing we can be collectively proud of the fact, that for practical purposes, the Government has completed negotiations with bargaining groups and unions representing almost the entire public sector workforce.

To the best of my knowledge we have not had such an efficient resolution in a bargaining round – completing all negotiations within 12 months – in a long time.

One of the strengths of Jamaica, despite our many problems, is the level of social cohesion in our society. Some of that cohesion is evidenced in things we can see. A lot of it, however, lies behind the scenes. I want to take a moment to salute those in our society who value people over politics, and who value cohesion as a noble goal and an end in itself.

We depend on public services everyday ... taking the bus, using the roads, accessing hospitals and schools, paying government fees and taxes, applying for licences and permits, collecting PATH payments and NIS, public sector pensions, and more.

In my job I have the privilege to talk to representatives of ALL segments of persons who provide public services and who are paid from the public purse. And by ALL, I mean ALL.

One thing they have in common is that they all believe that they are not adequately or fairly compensated. This is a problem.

But it is also true that if you poll members of the Jamaican public, a vast majority will tell you that they are dissatisfied with the level of public service they receive. This is also a problem.

We have to address BOTH problems and that is what we propose to do.

9.1 Description of the problem

9.1.2 Too many salary scales

The current structure of public sector compensation has 325 salary scales and 185 allowances, which is unduly complex, utterly unworkable inequitable and unfair.

The UK, by comparison has 7 pay grades in their public sector. The UK has 67 million people. We have 2.7 million people.

The size of the UK's economy is US\$2.7 trillion. Jamaica's is US\$15 billion. That is the UK's economy is nearly 200x times our size yet they have 7 pay scales in public sector compensation and we have 325!

How can this make any sense?

If you were to print out each one of the grades we have in the public sector it would fill 15 pages, whereas you could fit the pay grades in the UK on the back of a Jamaican postcard.

I posit that there is no one person in the Jamaican public sector who can recite even a third of these grades.

This structure has evolved primarily through the use of multiple job evaluation tools to create different classifications and job families over the years.

So you have people doing essentially similar jobs who are paid entirely differently.

I give you the example of stenographers who record the spoken word in Parliament and in the Courts. Same set of skills. Very similar jobs but, in our system these jobs have completely different salary grades and very different compensation.

There are many other examples. This creates inequity and tension, and often breeds resentment and negative attitudes.

It is one thing to be a poor country – which we are, for now - but that does not mean that our systems must be unfair.

We can be poor but just. We can lack resources but be fair.

Jamaicans will accept the limits that our economic realities impose if they are assured that the allocation of scarce resources is fair and sufficiently robust accountability systems are in place.

So it is imperative that we reform our compensation system to make it, at the very least, internally consistent and fair.

We will pursue reform to restore equity and fairness in public sector compensation.

9.1.3 Too many allowances

Another feature of our current compensation system is that it has evolved to be complicated by 185 allowances, which is also utterly unmanageable.

We did not get here by design.

Over decades, again in the context of chronic economic instability, we tinkered with systems and put in place permanent measures to offset wage freezes and wage guidelines and to appease bargaining units.

So several bargaining groups have allowance categories that only they get. And those unique ones tend to be significant in aggregate size. So, in the past you would “hold strain on the headline increase” and then get your special allowance area moved by varying amounts. Or you would introduce a new allowance.

Seems like a practical solution for a practical problem, right? However, it has had a huge negative structural impact. And you practice this over decades, across 40 bargaining groups, you end up with the convoluted public compensation system we have today where the wage bargaining process is costly for everybody and highly inefficient.

This allowance framework also breeds inequity and resentment, a lot of it based on real inequities brought on by allowance structures and some based on imagination, as things are so opaque and non-transparent.

Several bargaining groups within the same general family of jobs have splintered solely and completely as a result of having different categories of allowances, which then leads to separate negotiations.

A policy position we have adopted is that greater fiscal transparency serves the public good:

- A few years ago, we published a Citizens Guide to the Budget for the first time
- This year we went further and published it electronically on social media
- We established a Public Investment Map where you can track capital expenditure projects on our website
- We are establishing a Fiscal Commission; and
- We are clearing the backlog of audits

One major aberration is that the single biggest expenditure item in the budget – wages and salaries – is not transparent.

It is not transparent largely on account of an allowance system that is unwieldy and opaque. As such, different groups end up with different net increases in pay depending on the allowance structure and no one else knows or understands.

Though it's the public sector workers' salary, these are paid with taxpayer funds. And the public has a right to understand how much is paid and what the total impact of increases represents.

The lack of transparency also affects public sector employees too who, in some instances do not know the true value of their total compensation as compensation is stacked with myriad allowances. Some of these are tax free while others are not, which makes straight addition misleading. You need a computer spreadsheet to know your true compensation.

So, by way of example, you may hear someone say my salary is \$950,000 gross but when you check it, total compensation is \$1.8 million gross but when you factor in the fact that an allowance is tax free it might actually be \$1.9 million gross. Just as an example. And we create a public conversation about a value of \$950,000 when the value is actually \$1.9 million.

So the system leads us to be non-transparent to ourselves.

Even the Government has difficulty keeping track of the impact of changing 185 allowances as you progress through a negotiating cycle across 40 bargaining groups.

We cannot want systems that foster transparency in other fiscal matters and not want transparency in the single biggest line item of expenditure.

This has to change, and will be changed.

9.1.4 Impact on Pension

It has got to the stage where some bargaining groups have an allowance to salary ratio of 30% allowances and 70% salary, while others have 50% allowances and 50% salary, and even others have 60% allowances and 40% salaries. Some are even more skewed than this. This has real negative consequences down the road.

If your total compensation is \$100, and 50% is allowances, and you put in all the decades of service required to qualify for the *maximum* pension benefit of 2/3 of salary, you only retire on 33% (1/3) of your compensation, or in this case \$33. And that is at the maximum!

So your compensation was \$100 and falls to \$33 when you retire, and in this example, that's for the person at the top of the pension queue with 33 1/3 years of service. It is worse for those with less pensionable service.

So this unmanageable allowance complexity does not serve the public officer's long term interests either.

And the feeling of disappointment and sometimes resentment in retirement is a cost to our society. It feeds the notion of Jamaica as an unfair place.

We have to address that. We may be poor as a country but that does not condemn us to unfair, unjust and inequitable systems.

We will restore fairness and equity in public sector compensation.

9.1.5 Inability to attract and retain talent

It is generally agreed that public sector compensation is not competitive. Public sector compensation, as currently constructed, hinders the Government's ability to attract and retain talent in the public sector. Those who serve in the public sector do so mainly out of service to country and you will hear the comments from time to time that they are subsidizing government operations. In this regard, trade unions have been advocating for decades for better wages and conditions for public sector workers.

Mr. Speaker, I believe it is worth reminding this Honourable House and the country at large, that Jamaica has a serious problem of our skilled and educated graduates migrating overseas to seek better economic opportunities.

In fact, the human flight and brain drain index⁹, where 0 is low and 10 is high, in 2021 ranked Jamaica as a 9. The Human flight and brain drain indicator considers the economic impact of human displacement - for economic or political reasons and the consequences this may have on a country's development. The higher the index, the greater the human displacement.

I go further. We examined resignation data for two public sector entities – one a ministry and the other a department of government.

In the case of the ministry, between 2017 and 2021, 44 exit interviews were conducted and 30 of the individuals who resigned, did so because they were dissatisfied with their compensation.

In the case of the Government department, between 2016 and 2020, there were 214 resignations and, of that number, 209 individuals indicated that poor compensation was the reason for their resignation.

In addition there are technical, analytical, and managerial posts that cannot be filled or take months to be filled because of just how uncompetitive the compensation is.

The picture is clear, Mr. Speaker, and, as a Government, we cannot continue to 'kick the can down the road' and not address this and other challenges facing the public sector.

9

https://www.theglobaleconomy.com/rankings/human_flight_brain_drain_index/

9.2 What are we doing about it?

We cannot sit idly by and allow what is clearly unsustainable to continue.

The two-year wage cycle, which has its origins in Jamaica's history of chronic economic instability, high inflation, and lack of fiscal prudence, worked against substantial reform. Historically, by the time the Government concluded its engagement with 40 unions and bargaining groups the two-year period would have long expired and we would be half-way through, or at the end of, a new two-year cycle.

And I want to again pause to commend our union partners for giving us the space to put the proposals in place by agreeing to a four-year wage agreement in 2018.

We used that four-year period to engage a consulting firm to help us with detailed analysis towards the design of a new public sector compensation structure.

The new compensation system is designed on sound principles:

- Firstly, the new compensation system is **simple and easily understood**. This means that we have made compensation as clear, clean, and coherent as possible, so that our employees can easily see the value of their total compensation package. This requires that we reduce the number of allowances, which is a cumbersome and complex structure that is difficult to manage.
- Secondly, the new compensation system is **fair and equitable**. This means we will have a consistent way of determining pay across the public service which reflects the value we place on the work our public officers do. Consistency across the service requires that we reduce the number of salary scales, eliminating the duplicity of scales that relate to what is essentially the same job function or jobs of equal value.
- Thirdly, it will **recognise and reward performance**. There is a clear link between performance and pay progression and there are transparent mechanisms for recognising and rewarding good, and especially excellent, performance. So, we must move away from incremental progression based on length of service to progression based on performance that is grounded in the provision of increased incentives to perform.
- Finally, the system must be **sustainable and affordable**. While it is important to maintain competitive compensation levels, in order to build a strong public sector, we cannot defeat ourselves and throw away the fiscal sustainability we have achieved from ten years of sacrifice. A restructured compensation system must therefore be fiscally consistent with the debt reduction objectives enshrined in our fiscal rules, which underpin the stability we enjoy, without compromising the levels of capital spending required to catalyse growth and improve the quality of life.

9.3 Implementation

Public sector compensation improvement will cost over \$100 billion over three years.

Because our recovery is on track, we will reform public sector compensation and restore a better, fairer, simpler and more transparent compensation system.

It will be characterised by simplicity, better efficiency, improved pension and greater transparency for the individual and for the country and ultimately will be a contributing factor to better quality service.

Approximately \$17 billion of the figure above relates to certain categories of allowances that up until the current fiscal year have been classified in programs and not in wages.

The effective date of implementation will be April 1, 2022

Now that does not mean that your April paycheck will reflect the new compensation system.

First, we want to have the opportunity to continue our engagement with public sector unions and bargaining groups, and to provide more information and fine-tune the system.

We then propose that early in the second quarter of the new fiscal year the implementation will begin but it will be effective retroactively back to April 1, 2022.

Every public sector employee will know from now what your salary will be this year, what it will be next year, and what it will be in the third year when we have completed the implementation of the new compensation system. So you will have clarity and transparency.

9.4 A Common Concern

Some people are worried that if they receive a tax free allowance today and tomorrow that allowance does not exist any more, they may be adversely impacted.

Allow me to say, clearly and emphatically, that no public sector employee's net pay will be lower as a result of the new compensation system. In fact every public sector employee's net pay will be higher as a result of the new compensation system.

Some people use language like rolling-in etc. Let me again clarify that we are not patching up the old compensation system to create a new one. We are abandoning the existing cumbersome, complex, unworkable and unsustainable compensation system and implementing a new compensation system that incorporates the principles I mentioned earlier.

Let me also be very clear on another matter. Once we begin implementing the restructuring of compensation, Jamaicans will also expect more from the public sector, and rightly so. Because it is tax payer money that is paying those salaries. They will expect more from their civil servants and ministers. They will expect more from their parliamentarians. They will expect more from the public sector.

9.5 Wage/GDP Ratio

Let me also be clear that this new compensation structure is not coming cheap. The implementation of restructured public sector compensation will lead to a significant rise in the wage bill which will likely breach the wage to GDP target of 9% in Jamaica's fiscal responsibility law unless growth surprises on the upside. So we will need the appropriate legislative amendment.

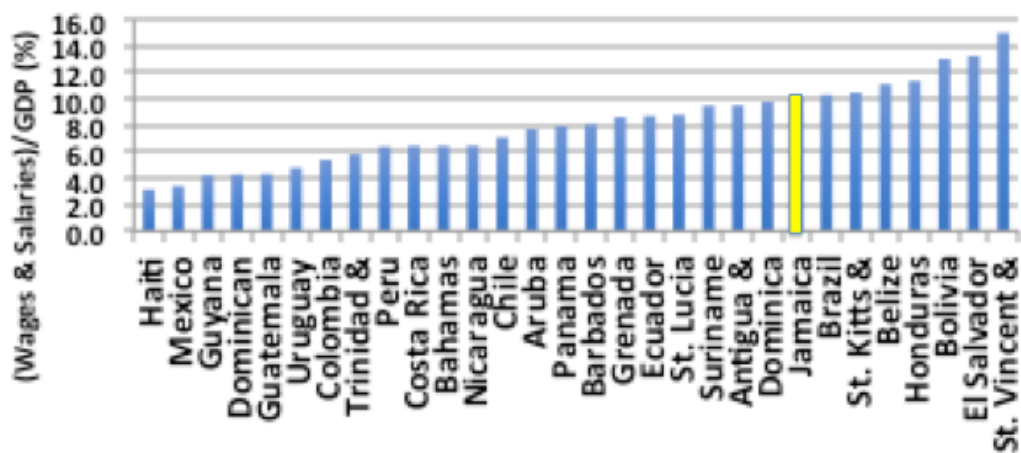
In this year, with the start of the compensation restructuring, the wage to GDP ratio is projected to be 11.4%.

This has already prompted concern. This reform is happening in a context where as I said before Jamaica is not yet out of the woods. Our debt is still very high and our economy remains vulnerable to potential shocks. Higher interest and wage costs limit flexibility to respond to crisis. As a result, these concerns cannot be dismissed.

Consider the following facts:

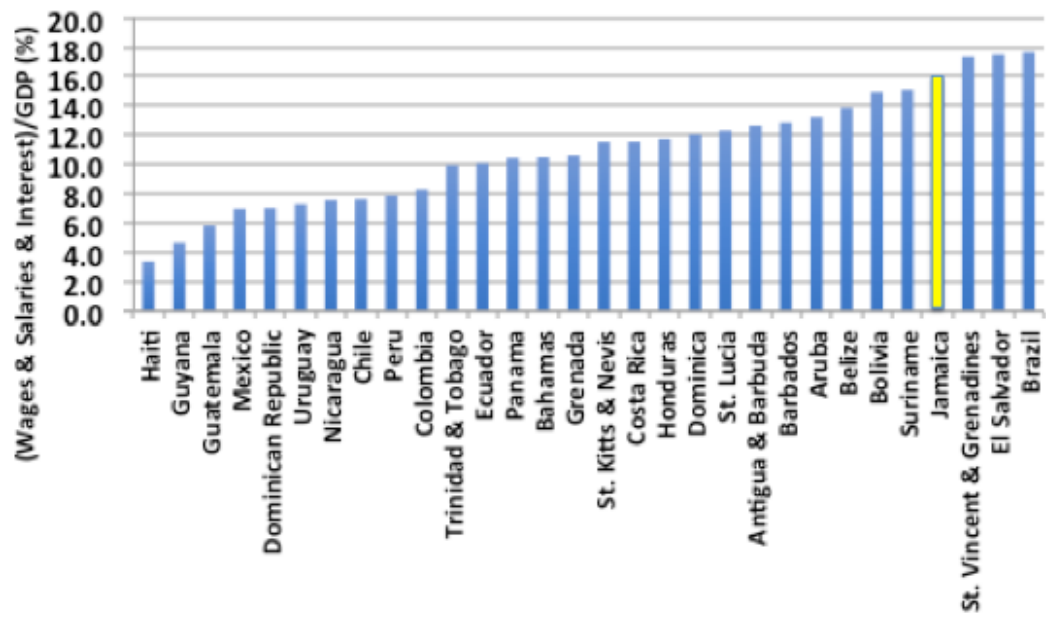
- Jamaica has one of the highest levels of wage to GDP ratios in our hemisphere even prior to this reform. Out of 30 Latin American and Caribbean countries Jamaica has the 8th highest wage bill as a proportion of GDP
- Jamaica has the fourth highest level of Wages + Interest as a proportion of GDP, in our hemisphere, prior to this reform. Out of 30 Latin American and Caribbean countries Jamaica has the 4th highest wage bill as a proportion of GDP
- The result of the above is that Jamaica ranks 22nd out of 26 Latin American & Caribbean Countries for whom data is available in Capital, Social and Other Expenditure.

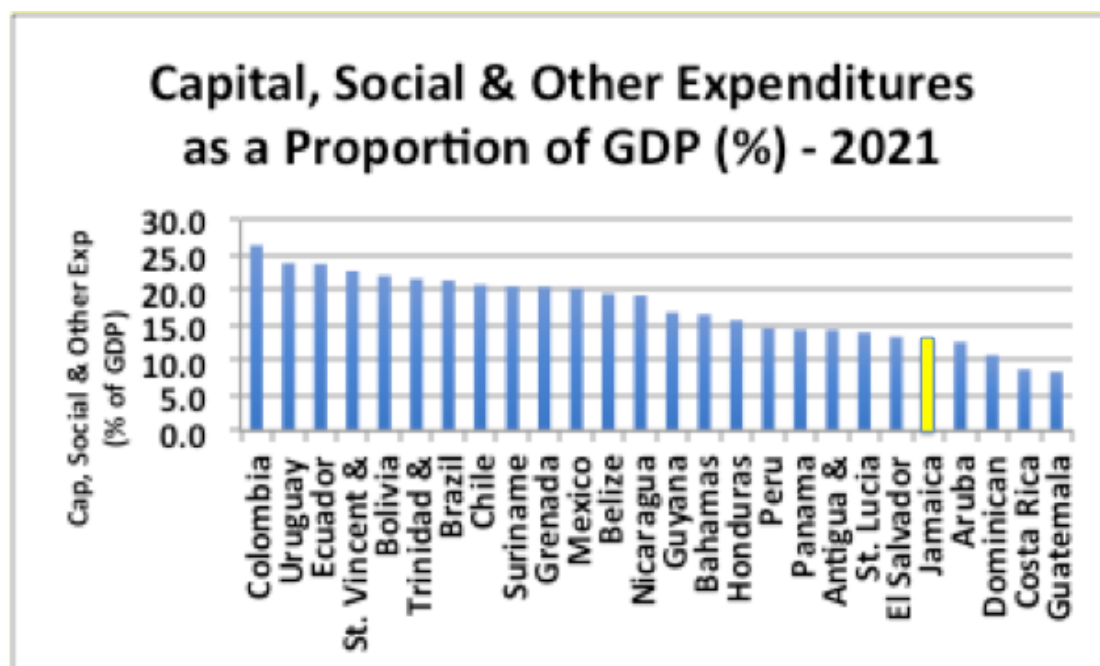
Wages & Salaries Expenditure as a Proportion of GDP (%) - 2021



Source: IMF

Wages & Salaries & Interest Expenditure as a Proportion of GDP (%) - 2021





Source: IMF

From the perspective of debt sustainability modelling and analysis, the higher wage bill associated with the planned restructured public sector compensation will not compromise Jamaica's debt targets under the fiscal responsibility law.

Furthermore, capital investments as a proportion of GDP will increase in the upcoming fiscal year and continue to increase across the medium term.

However, notwithstanding the above, the higher wage bill will diminish fiscal buffers and room for error.

The reduced fiscal flexibility implied by a higher wage bill makes it imperative that we accelerate the implementation of other pillars of the transformation agenda, among other initiatives, inclusive of the pursuit of higher growth, that can bring compensation as a percentage of GDP to more sustainable levels across the medium term.

10.0 The Government's 2022/23 Budget

For the FY 2022/23 fiscal year, the Central Government plans to spend a total of \$912 billion, comprised of:

Non-Debt Expenditure	\$604.5 billion
Debt Service Expenditure	\$307.5 billion
TOTAL	\$912.0 billion

10.1 Central Government Non-Debt Expenditure

The programmed Central Government Non-Debt Expenditure (Above the Line) for FY 2022/23 of \$604.5 billion reflects an increase of \$ 29.2 billion or 5.2% relative to the FY 2021/22 Non-Debt Third Supplementary Estimate (Above the Line) of \$575.3 billion.

The Central Government's Non-Debt Expenditure is comprised of

Recurrent Expenditure	\$539.4 billion
Capital Expenditure	\$ 65.1 billion

Recurrent Expenditure is comprised of expenditure for the compensation of public sector employees as well as Recurrent Programme Expenditure.

10.1.1 Compensation of Employees

Compensation of Employees accounts for \$290.2 billion or 53.8% of the Recurrent Expenditure Budget. It includes \$6.4 billion towards the payment of the Government's contribution of Public Sector Health Insurance and \$1.4 billion to settle arrears in Employers Contribution to the National Housing Trust.

Allocations for fixed motor vehicle allowances, previously classified in the Estimates of Expenditure, under Recurrent Programmes are now classified under Compensation of Employees.

10.2 Ministry of Finance

\$40 billion has been allocated for public sector pension payments.

\$3.1 billion has been allocated to the Ministry of Finance and the Public Service, representing a grant to the Local Government Municipal Corporations to cover the annual cost of Street Lights.

\$1.2 billion grant to the Students' Loan Bureau.

\$3.6 billion to the Statistical Institute of Jamaica (STATIN) of which \$2.4 billion represents the amount to be spent during this FY 2022/23 to cover the cost of Jamaica's 15th Population and Housing Census in 2022.

10.3 Education

We continue to allocate the largest share of our budget, outside of interest, to education.

\$122 billion is allocated to education in the upcoming fiscal year.

As such, education expenditure will represent approximately 20.2% of non-debt expenditure.

Every one in five dollars of non-debt expenditure will go to education.

The Education Review Task Force and the World Bank/UNICEF Public Expenditure Review on Education found that Jamaica's budgetary allocation to education is higher than many peer group countries.

10.4 Health

\$93.1 billion is allocated to the Ministry of Health including \$10.6 billion for drugs and medical supplies.

10.5 National Security

\$92.4 billion is allocated to the Ministry of National Security.

10.6 Agriculture

\$1 billion is allocated for production Incentives for farmers and **\$800 million** for the maintenance of rural farm roads.

10.7 Technology

\$1.8 billion is being allocated to facilitate the continuation of: (i) GOJ's Broadband Initiative - \$1.0 billion; and (ii) the Tablets in School Programme.

10.8 Social Spending

Madam Speaker, we continue to prioritise social spending which is executed across various ministries.

\$16.9 billion is being allocated to the PATH Programme, the GOJ's conditional cash transfer programme targeting vulnerable households within the population.

Of this amount:

- **\$9.2 billion** is being allocated to the Ministry of Labour and Social Security to support **\$7.9 billion** for the PATH cash grant, **\$800 million** for Social Pension

for the Elderly, **\$361 million** for Rehabilitation Grants and **\$119 million** for Social Intervention/Youth Empowerment Strategy.

- **\$7.7 billion** is being provided to the Ministry of Education, and is included in the figures under Education above. This is for allocations of **\$6.3 billion** for student nutrition support, **\$1 billion** for the provision of school textbooks and **\$380 million** for PATH school transportation.

10.9 Capital Expenditure

Giving the growth catalytic impact of capital expenditure, though we are still recovering from the pandemic, I am pleased that we are increasing central government capital expenditure by 20% in 2022/23.

What is more significant is that last year's capital budget benefited from a one-off dividend from the central bank which we did not have this year yet we have been able to grow capital expenditure budget by 20%.

We are well on our way to restoring capital expenditure to pre-pandemic levels.

We continue to prioritise infrastructure expenditure, which increases the productivity of the economy, provides employment and is therefore growth enhancing.

As such, within the capital budget:

\$20.7 billion is allocated to the Southern Coastal Highway Improvement Project to continue: 1) highway construction works along the May Pen to Williamsfield corridor; 2) works along the Harbour View to Yallahs corridor among other activities.

\$4.9 billion is allocated to the Montego Bay Perimeter Road Project to continue the process of land acquisition; continuation of the design of the 15km - 4 lane divided carriageway from Ironshore to Bogue, Montego Bay; and commence the design of a 11km - 4 lane divided carriageway along the Long Hill Bypass corridor.

Our central government capital expenditure program also includes:

\$4.9 billion to the Ministry of Health (included in the above) of which \$2.3 billion is for the Prevention and Care management of Non Communicable Disease in Jamaica and \$1 billion for implementation of Phase II of the Cornwall Hospital Redevelopment Project.

\$2.4 billion to continue the implementation of the National Identification System for Economic Growth Project.

\$1.9 billion for the procurement of 50 of the 100 garbage trucks scheduled for acquisition over two years.

I am particularly excited about the planned **\$4.5 billion** of capital investments in the agricultural sector which will help improve productivity, which is growth enhancing.

Of this amount **\$1.4 billion** will be allocated to the Southern Plains Agricultural Development Project the objective of which is to provide access to irrigation water on former sugar cane lands in South Clarendon & South St Catherine which will increase agricultural productivity.

And **\$2.7 billion** will be provided to the Essex Valley Irrigation Infrastructure Development Programme to support: i) installation of irrigation pipelines and appurtenances; ii) supply and installation of pump and meters; iii) supply and installation of renewable energy equipment for powering the irrigation system; and iv) community-engagement to support community-based organisations.

In addition, there is a Contingency Provision of **\$5.3 billion** under the Ministry of Finance and the Public Service to support Public Investment Pipeline Projects which are expected to gain Cabinet approval before the end of the current fiscal year. These projects include:

- The procurement of 50 JUTC Buses
- Construction of the St Catherine North divisional Headquarters;
- The upgrading and renovation of Justice Centres in Clarendon and Hanover, among others; and
- Starting the construction of the Houses of Parliament building

10.9.1 Capital Expenditure in Public Bodies

In 2022/23 Public Bodies are scheduled to commence/continue implementation of 73 investment projects utilising an allocation of **\$29.2 billion**.

Therefore, in fiscal year 2022/23, capital expenditure for public bodies and central government will total **\$94.2 billion**.

11.0 Other Major Growth Initiatives

Our capital expenditure budget is geared towards facilitating growth and improving quality of life.

We have several programmes to stimulate economic activity by boosting access to finance, which is the oxygen of business.

The Development Bank Jamaica will allocate **\$7 billion** for loans to MSME's in 2022/23.

In addition, through Credit Enhancement Programme the DBJ will credit guarantee support for over **\$6 billion** in loans to the MSME's.

That is **\$13 billion** in credit for Jamaicans MSME's. Never before has so much loan and credit support been available to MSME's.

11.1 Innovation Ecosystem

We will be building an economy that promotes, finances and invests in innovation.

Under the Boosting Innovation, Growth and Entrepreneurship Ecosystems (BIGEE) program with the Inter-American Development Bank ("IDB"), the Development Bank of Jamaica ("DBJ") is supporting:

- An Innovation Grant Fund that provides grants for innovation
- Two Incubator Programmes that are expected to provide training, mentorship and incubation support services to approximately 140 high potential Jamaican startup companies
- Three Accelerator programmes which are expected to provide acceleration services to ninety (90) scalable Jamaican startup companies; and
- A Seed Fund that provides grants and technical assistance to scalable startups

In addition, this year the DBJ expects to launch:

- A Patenting Grant Fund to support inventors and researchers who may have patentable ideas; and
- A Side Car Fund that will invest alongside established Angel investor networks in Jamaica

There has never been a better time to start on an entrepreneurial journey.

The Jamaican people seem to agree as data from the Companies Office show that 2021 was another record year for company startups in Jamaica.

More companies were formed in Jamaica during 2021 than in any year in our history!

11.2 Venture Capital and Private Equity Ecosystem

Furthermore, several equity and venture capital funds will come into existence this year specifically focused on the SME and early stage businesses.

There has never been a better time to be an SME or early stage company in Jamaica. Having friends with money or family with money will no longer be a requirement to pursue an entrepreneurial career.

Young people hear me. We intend to commoditise equity financing in Jamaica. All you need is great marketable, commercial ideas, managerial and technical competence, work ethic and energy and integrity.

Under the BIGGEE Programme, with the IDB, the DBJ will be sponsoring a **Venture Capital Fund**, capitalised at **\$2 billion**, targeting early stage businesses. The Government will invest \$750 million with the balance from private investors.

Working with the World Bank, the DBJ will sponsor an **SME Private Equity Fund**, also capitalised at a target of **\$2 billion**. Again, the Government will invest \$750 million alongside private capital.

Under the SERVE Jamaica Programme, the DBJ will sponsor two **SME Growth Private Equity Funds** with a combined capitalisation of **\$6 billion** in which the Government will invest a total of \$2 billion alongside private capital.

Madam Speaker, 2 plus 2 plus 6 – that is **\$10 billion** in private equity financing . . . not debt, but private equity financing for early stage and SME companies.

This is a game changer in Jamaica.

Never has so much private equity financing been available for small and medium sized businesses and early stage companies.

By having these funds operating at the same time we hope to generate competition among funds for the best investment opportunities, which will create a healthy venture capital and private equity ecosystems.

In addition to the Government's sponsorship of funds, several private equity funds have emerged in recent years in response to the legislative amendments we made to the Pension Investment Regulations that allow pension funds to invest in venture capital and private equity.

11.3 Integrated Resort Developments

The Government is seeking to attract potential investors for the establishment of Integrated Resort Developments in Jamaica.

An integrated resort development must have a minimum of 1,000 hotel rooms, of which a minimum of 500 of those rooms must be luxury rooms. Furthermore, the integrated resort must involve a capital investment of a *minimum* of US\$500 million.

Madam Speaker, we intend to grant two integrated resort licences that will mean a combined investment of at least US\$1 billion but most probably more.

To that end we issued a Request for Applications (RFA) for the Approved Integrated Resorts Development (AIRD) on October 6, 2021.

To date the Ministry of Finance and the Public Service (“MOF”) has received nine (9) sets of queries (including follow-on queries) from four (4) potential investors seeking clarification on the process.

The deadline for submission of the responses to RFA is tomorrow, March 9, 2022.

This RFA process, inclusive of final selections, is managed by a ten (10) member team, chaired by Dr. Dana Dixon, and supported by the Public Enterprises Division of the Ministry of Finance. This Team will also be assisted by a consulting firm, which will provide the requisite technical support needed to assess the applications.

This Enterprise Team will then make the recommendation for approval, which will eventually lead to at least **US\$1 billion** being invested in Integrated Resorts in Jamaica in the short term.

11.4 Infrastructure Programme

Since the global financial crisis of 2008, when our finances were impaired, successive administrations have used a state-to-state model of highway infrastructure procurement where we have borrowed from the China Ex-IM bank with the understanding that the construction would be undertaken by China Harbour Engineering, one of the largest construction firms in China.

This model has served Jamaica well. We have some really great highways that have improved quality of life and enhanced productivity. Jamaica would not have been able to finance the build out of this infrastructure over the period from 2008 until now without such a model, and without this cooperation with the Chinese government. As Minister of Finance I express Jamaica’s deep gratitude to the China Ex-IM bank, which provided these loans.

China, through the China Ex-IM bank, is Jamaica’s largest bilateral creditor but our debt to the China Ex-IM bank only represents 5% of Jamaica’s overall national debt.

Due to the sacrifice of Jamaicans, Jamaica is in a healthier fiscal position now, as compared to 2008 or 2011 or 2016, and we intend to further improve Jamaica’s financial resilience. We can attract huge volumes of private capital that would have shied away from Jamaica before. As such, we can pursue a graduated model of highway infrastructure procurement, one that is open and competitive.

We are working with the International Finance Corporation, the private sector arm of the World Bank, on this.

Madam Speaker, we expect to come to market with over **\$150 billion** of additional infrastructure projects over the next three years.

11.5 Clarendon Alumina Production Limited

We expect Clarendon Alumina Production Limited to make a contribution to economic growth this year. The plant was out of production due to fire.

The reconstruction is on track and will take place over three phases. In the Phase 1, which should occur by June 2022, JAMALCO expects the recommencement of operations at up to 50% of capacity using steam from a set of boilers being installed. It is expected that mining operations and jobs will begin to be restored in the weeks prior to the resumption of production.

By the end of September 2022, JAMALCO expects to be back at 100% production, which will mark Phase 2. Production costs should then be lower than in Phase 1.

Phase 3 involves the rebuilding of the powerhouse. JAMALCO is considering a number of strategic options for achieving this. It is anticipated that completion of this reconstruction will be finished by 2024.

12.0 Restoration - Upgrade/Redesign of Banknotes

While we continue to depend on physical cash there is a need to make cash transactions more efficient.

Technical studies have shown the need for the introduction of a currency denomination between the \$1000 note and the \$5000 note.

The Bank of Jamaica advised me that the introduction of a \$2000 note would bring greater efficiency to the currency structure allowing cash transactions to be settled easier.

With the introduction of the \$2000 note alongside the \$1000 and \$5000 notes persons will require fewer notes to settle transactions.

In addition, the introduction of a new currency denomination allows us to leverage technology and material science improvements and upgrade the family of notes to achieve greater cost efficiencies.

Today, our currency denominations use a mixture of material called substrates. The \$50 and \$100 notes use a hybrid substrate, which is a mixture of cotton and polymer. The \$500, \$1000 and \$5000 are on varnished cotton.

These are not the most durable substrates, i.e. materials, available today.

The introduction of a substrate that offers a significant increase in the durability of banknotes will yield substantial benefits as it relates to the average circulation life of banknotes, which in turn, will lead to lower order quantities with less frequency relative to current practice. There are substrates such as pure polymer, which is used by many

countries such as the UK, which have a much longer life and are therefore more cost effective.

Banknote design is one of the methods used worldwide to deter counterfeiting and, as such, over the past decade banknote printers have developed more sophisticated security features to minimise counterfeiting. It is important that the state of the art technology currently used in the banknote-printing industry be incorporated in Jamaica's banknotes.

Although each of our current banknotes has one feature that caters to the visually impaired, either large numbering or tactile printing, the effectiveness of such features has been questioned by this community. An upgrade of the banknotes will therefore also provide the opportunity to implement enhancements which ensure that the visually impaired are able to easily identify all notes.

There are concerns among the Jamaican public that the colours of the \$500 note and the \$5000 note are not easily distinguishable, especially in low-light conditions and this has resulted in individuals tendering \$5000 instead of \$500. We need distinct colour separation between notes, where you make them out even at night as you emerge from the taxi, and this is consistent with research and best practice. An upgrade of our banknotes will make this possible.

The Bank of Jamaica has therefore been engaged in an upgrade/refreshing of the Jamaican banknotes to:

- Introduce a new \$2000 denomination
- Provide cost savings through increased durability of banknotes
- Enhance the security of banknotes to reduce the risk of counterfeiting
- Enhance the banknote features to better meet the needs of the visually impaired; and
- Ensure clear colour and other distinctions among and between banknotes of different denominations

By policy, Jamaica's banknotes feature National Heroes and deceased prime ministers/premiers (in chronological order).

However, currently, the existing five banknotes (\$50, \$100, \$500, \$1000 and \$5000) feature only two out of seven National Heroes and three of four possible deceased prime ministers.

Of the five National Heroes not on notes, four are on coins:

- Alexander Bustamante is on the \$1 coin
- Norman Manley is on the \$5 coin
- George William Gordon is on the \$10 coin; and
- Marcus Garvey is on the \$20 coin

Paul Bogle who led the Morant Bay Rebellion, and was hung on the gallows for this, but whose sacrifice paved the way for representative government in Jamaica is not represented on Jamaica's currency.

He was featured on the \$2 note until it was dematerialised in 1994. He was placed on the ten-cent coin (\$0.10) but all denominations below \$1 were dematerialised in February 2018.

This is an aberration that must be fixed. Paul Bogle and what he represents should be prominently reflected on Jamaica's currency.

We will restore Paul Bogle to our national currency.

Similarly, the coins on which Alexander Bustamante, Norman Manley, George William Gordon, and Marcus Garvey appear do not give visibility, consistent with the original intent.

This too is an aberration that must be fixed. These heroes of Jamaica must be prominently placed on our banknotes consistent with the original intent.

We will restore Alexander Bustamante, Norman Manley, George William Gordon and Marcus Garvey to our banknotes consistent with the original intent.

When the Jamaican currency was first launched in the 1960's our heroes were prominently represented on banknotes with Sam Sharpe joining by appearing on the \$50 note in the 1980's.

The fossils of our five-decade experience of chronic macro-economic instability where our currency devalued by nearly 50,000% is chiseled into the deformation of our currency design, where a noble original intent has dissolved and is no longer recognisable.

A young Edward Seaga, still in his 30s, had responsibility for the launch of Jamaica's own currency for our new nation in the mid-1960's. In a seminal speech in 1965 he said the reason for representing our national heroes on our banknotes was so we would *"focus attention on our history"*.

Further in that speech he asked, *"But why should we ...look backwards over our shoulders to recognise the role of those who went before the modern development of our history in 1938?"*

He answered his own question as follows:

"A people who recognise their history recognise the role of those who went before them in thought and in action and understand to what extent those who went before them contributed to the things they have achieved and enjoy today. If we do not understand this and give credit where credit is due we are likely to give credit where credit is not due. We are likely to give all the credit of our achievements to foreign benefactors without understanding that our own people played a significant role in achieving what we enjoy today. And when we do this we are naturally led to be influenced that our people and our country are not capable of achieving the things for which we fight for but that we must always look elsewhere for help, for assistance and for leadership."

So at the dawn of our nation it was a deliberate, thoughtful act to prominently place our national heroes on our banknotes to give credit where credit is due and also to remind ourselves of:

- Our capacity for self-determination
- That we have agency and we can create the future we want; and
- That we can be self-sufficient, not be dependent on foreign powers for basic needs

Mr. Seaga continued:

“So the very first act is to understand that we have our leaders, past and present, and understand that they, together, past and present, achieved many things we enjoy today and because they have achieved these things we are a people capable of respect, capable of understanding our own potential and, therefore, one who understands that the meaning of the word independent is that it is to be a body of people in a nation that can do for themselves that which needs to be done. History plays a vital and important role in the creation of our society, in its development and in its progression.”

So, we have to upgrade our banknotes for the technical reasons given, and we have a new \$2000 banknote to launch.

But the Jamaica project has, in this regard, drifted from the original intent – our heroes no longer appear on our banknotes.

In this 60th year of our independence this aspect of the national project must be restored.

Our national heroes must, once again, appear on our banknotes.

We must be constantly reminded of those who came before us and sacrificed so that we can enjoy what we have today.

And in honoring our heroes we honour, in perpetuity, the thousands of Jamaicans who served with them.

As Mr. Seaga said, give credit where it is due.

So we have 7 national heroes and 4 deceased prime ministers¹⁰, including Mr. Seaga, but only six banknotes: \$50, \$100, \$500, \$1000, \$2000 and the \$5000.

That is, we have 11 faces to fit onto 6 banknotes where faces only appear on one side of each note. This means that we need to have two faces per note.

Leaders should appear in chronological order subject to no leader appear in a banknote of lower denomination than he/she was before.

¹⁰ Alexander Bustamante is included as a National Hero although he is also a deceased prime minister. Norman Manley is included as a National Hero although he is also a deceased premier.

12.1 Newly Designed Banknotes

In the newly designed banknotes:

The Right Excellent Paul Bogle and The Right Excellent George William Gordon, who were on Jamaica's original banknotes, but who today are on none of our banknotes, will be restored and will appear together on the upgraded \$50 banknote. United in the struggle for freedom, united in their sacrifice and execution. They, and those who sacrificed with them, will be honored.

The Right Excellent Marcus Garvey, who was on Jamaica's 50c banknote, but who is on no banknote today, will be restored and will appear alone on the upgraded \$100 banknote.

The Right Excellent Nanny of the Maroons and The Right Excellent Sam Sharpe will appear together on the upgraded \$500 note.

The Right Excellent Sir Alexander Bustamante and the Right Excellent Norman Manley who were founding fathers of modern Jamaica, and who were contemporaries, serving over similar periods and who were on Jamaica's original banknotes are on none of our banknotes today. The Right Excellent Sir Alexander Bustamante and the Right Excellent Norman Manley will be restored and will appear together on the upgraded \$1000 banknote.

Jamaica went through a near civil war experience in the 1970s that deeply scarred the national consciousness. Electoral contests became overtly violent in nature.

Remarkably, through great political and civil society leadership our country stepped back from the brink, and reformed itself. Today, Jamaica's electoral system is a model for the world.

However, not all the scars of this period have healed. Persons active in that era are still with us. Families who lost loved ones, who were displaced, who lost homes and jobs due to the conflict are still with here. They remember. They hurt. And, in many cases, those wounds and feelings run deep.

We validate those experiences, wherever they exist, as authentic and sincere.

But are we to construct our affairs today in a manner that perpetuates this hurt bequeaths unto future generations strife and division? Or are we to seek constructive, real and symbolic ways of forging the unity, peace and love of which our great philosophers, prophets and artists advocate?

The latter path has to be the way. We must restore unity in our society. Our symbolism must not seed division. Instead it should forge unity and lift us all up in the process.

This has been the message of Prime Minister Andrew Holness from his first speech as prime minister in 2011 entitled "De-garrisonisation of the Mind."

Therefore, with the backing of the Prime Minister and the Cabinet of Jamaica and with the consent of the representatives of the families of the Most Hon. Michael Manley and the Most Hon. Edward Seaga, we are therefore pleased that:

The Most Honourable Michael Manley and The Most Honourable Edward Seaga, who were contemporaries and rivals, will appear together on the new \$2000 banknote.

We thank the families of Michael Manley and Edward Seaga for their consent.

Our country must move forward, and move forward in unity, peace and love.

Jamaica's average income today is less, in real terms, than it was 50 years ago.

There is a mountaintop that we must climb, where "fruit and honey" lie waiting on us... but we can only get there together by climbing together.

Those – my fellow members of the Jamaica Labour Party and to those in the People's National Party who are initially perturbed by this I ask you to say to yourself – it is not about you – its about all the children of Jamaica – it is about the multitude of the unborn – we cannot perpetuate hate and division and strife and expect that we will scale this mountaintop.

To Comrades and my fellow Labourites, I say that by co-locating images of great past leaders on our banknotes we do not deny anyone the unique identity of their contribution to Jamaica nor do we shield them from the full introspection of history.

To my fellow Labourites, in particular, I say the biggest respect we can show is by following the ideas of those who we want to show respect to. It is ideas and not the placement of images that lasts the test of time. We don't really know what Moses of the Old Testament looked like – but we remember the Ten Commandments he shared 4000 years later.

It was Mr. Seaga's idea to have our National Heroes on our banknotes. We are restoring this and in so doing honoring him.

Finally, the Most Honourable Donald Sangster and the Most Honourable Hugh Shearer will appear together on the upgraded \$5000 note. These leaders presided over the greatest period of economic expansion this country has ever experienced.

This Government will restore our heroes to our banknotes, we will restore unity and we will restore our country.

The new and upgraded banknotes will be available late this calendar year. The Bank of Jamaica will be holding sensitisation sessions so that the new security features can be understood and so that the visually impaired community can become familiar with features that differentiate the banknotes.

