

**DR. THE HON. NIGEL CLARKE, MP**  
**MINISTER OF FINANCE AND THE PUBLIC SERVICE**

**OPENING BUDGET PRESENTATION**  
**2019/20**

**MARCH 7, 2019**

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## 1.0 INTRODUCTION

### 1.1 SALUTATIONS & EXPRESSIONS OF GRATITUDE

Mr. Speaker, I begin by thanking Almighty God, from whom all blessings flow.

Great is thy faithfulness. Great is thy mercy and thy loving kindness.

It was exactly one year and two days ago that the people of St. Andrew Northwestern elected me to represent them as their Member of Parliament. I thank them for their support and again pledge to represent them faithfully in this House.

I thank my Councillors and the Executive of the North Western St Andrew constituency organisation, many of whom are here today, for their steadfast support, and I thank them for their work, energy and effort on behalf of the constituents of St Andrew North Western.

I thank my Parliamentary colleagues for assisting in the transition to public life, with words of advice and encouragement. I wish to recognise the staff of the House of Parliament who are always gracious and helpful in the performance of their duties.

I thank Prime Minister, the Most Honourable Andrew Holness, for his confidence and support in appointing me to the office of Minister of Finance and the Public Service. Throughout his career, Prime Minister Holness has shown sincerity of purpose, humility, leadership and courage which have earned him the trust of the Jamaican people and it is an honour to serve in his Cabinet.

Jamaica benefits from a first class team at the Ministry of Finance, and I thank them for their dedication and commitment. I thank the Financial Secretary Darlene Morrison and her team at the Ministry as well as my advisory staff. I also thank the administrative and ancillary staff in my office who keep things going and the security staff assigned to me who always go beyond the call of duty.

I also would like to thank the Board, management and staff of the Planning Institute of Jamaica (PIOJ) and Bank of Jamaica (BOJ), institutions that play a key role in the budgetary process.

Thanks to my predecessor, man-a-yaad, Honourable Audley Shaw for setting a good example. Thanks to Minister Fayval Willams for helping to make my transition smooth and for her support and congratulations on her historic appointment as Minister of Science, Energy, and Technology.

Most of all I would like to thank my family, who now share me with North West St Andrew and by extension Jamaica.

To my wife and children, thank you for your love and support. You help me maintain balance and perspective and without you I could not do what I do. I am indebted to my parents for imparting values I cherish. To my late father, Justice Neville Clarke, who would have loved to have been here today, I thank you for nurturing in me a passion and belief in the promise and potential of Jamaica and teaching me the

value of diligence. To my mother, Mary Clarke, thank you for your prayers and for elevating the values of compassion, faith, service and duty in our upbringing.

To my brothers and sister, thank you. To my uncles and aunts, one of whom is here today, I'm grateful for your support.

## **1.2 BRIEF BIOGRAPHY**

On this occasion of my first budget presentation I will provide a few paragraphs on my journey here.

I attended St Richards Primary on Red Hills Road. Over the summer before high school my parents moved to Bluefields, Westmoreland where we lived by the sea, learning from the fishermen at Belmont Missionary where our family attended church and hunted crabs during the holidays.

I spent all seven of my high school years on the top of the Santa Cruz mountains, in Malvern, St Elizabeth at Munro College.

Though of urban birth, I was blessed with a rural and seaside upbringing.

I did my undergraduate studies at the University of the West Indies before completing graduate studies and research at Oxford University.

I worked in investment banking in the US and the UK before returning to Jamaica where I have had a career in business and finance for 20 years prior to my entry into politics. Over the course of that career I have had the privilege of starting, acquiring, building and operating businesses in Jamaica, and a majority of the countries in the Caribbean, Central America, and further afield across a very wide range of industries.

I have operated in the many diverse political and economic environments that make up our region of the Caribbean and Central America and I have first hand experience of what has worked and not worked across these countries.

It has been an honour to have served Jamaica as Chairman of various public sector enterprises including the National Housing Trust, the Port Authority of Jamaica and the HEART Trust.

It has been a privilege to have served Jamaica:

- as a Senator, where I focused on business and economic policy legislation during the period of Jamaica's 2013 engagement with the IMF to 2015
- as an Ambassador, where I was a principal interlocutor with the IMF and other multilaterals out of the Office of the Prime Minister, and
- as an Advisor to Prime Minister Holness on economic policy.

Ten years ago, with other like minded persons, I started an NGO that uses music as a tool of social empowerment in Kingston and Spanish Town and thousands of young people have been exposed to reading and writing music and playing instruments through that program.

Mr. Speaker, I had a full and diverse life before representational politics.

Throughout my entire life, Mr. Speaker, I have never sought the limelight and have always been content with working behind the scenes, supporting and promoting others. But then the call came .....to serve Jamaica in a different capacity. A capacity that provides the opportunity to maximize positive change but that requires certain personal sacrifices. With the tremendous support of my family, friends, and colleagues I have answered that call and I stand before you today and pledge again to serve Jamaica with diligence and sincerity.

### 1.3 TAKING STOCK OF HOW FAR WE HAVE COME

Mr. Speaker, Jamaica is in transition. A new Jamaica is emerging. Jamaica, Mr. Speaker, is moving in the right direction.

Having found ourselves one of the most indebted countries in the world only a few years ago, on the brink of collapse, Jamaica is emerging as a shining example to the world of what can be achieved when there is unity of purpose.

**At the end of this financial year, by March 31, Jamaica's Debt to GDP ratio will fall to 96%, which will be the lowest level of debt in nearly two decades, and the first time below 100% over that period.**

This is a national achievement of which all Jamaicans can be proud.

The road here has not been easy and all segments of the Jamaican society have contributed to this success. Mr Speaker may I ask my colleagues in this House to recognize the role played by:

- Public sector unions and staff
- The financial institutions and investing community
- The private sector
- The Economic Policy Oversight Committee, the Social Partnership, and Civil Society, more broadly
- The media
- The Ministry of Finance and the Public Service, Bank of Jamaica, Planning Institute of Jamaica
- Ministries, Departments and Agencies across the Government of Jamaica (GOJ)
- And Mr Speaker, both the Government and the Opposition over the six year period 2013 to 2019.

Mr. Speaker, Jamaica is the world's only example in recent times of a small country that has reduced its public debt by the equivalent of half its gross domestic product in a short timeframe without handouts, without debt relief or without bilateral debt support from "friends" or partners.

We found ourselves completely on our own and had no choice but to rescue ourselves with our own resources.

The good news is that this experience demonstrates our capacity to achieve our greatest dreams and aspirations for our country, if we can summon the courage, the fortitude, the foresight, the humility and the wisdom to work together for the common good.

Mr. Speaker, this achievement thus far ranks among the greatest bipartisan successes that we have had along with:

- Electoral reform that led to the emergence of the Electoral Office of Jamaica and dramatic improvements in the integrity of the electoral system, and
- constitutional reform that gave birth to the Charter of Rights.

The people of Jamaica desire of their Parliament and leaders many more such successes.

However, on each of these occasions, Jamaica was first brought to the brink before it was driven to action. I am sure the Jamaican people would prefer that these outcomes result from their leaders working together proactively with duty, wisdom and foresight. This is the call that we must answer here today.

#### **1.4 IMF PROGRAMME**

This period of fiscal prudence did not arise automatically.

Jamaica was forced to confront its difficulties by turning once again to the International Monetary Fund (IMF) for support.

Jamaica has had 16 Stand-By and Extended Fund Facility agreements with the IMF since independence which have had a cumulative length of 32 years. We cannot be proud of that.

TABLE 1

**HISTORICAL SUMMARY OF JAMAICA'S RELATIONSHIP WITH THE IMF\***  
**AS OF MARCH 7, 2019**

Facility Type	Date of Arrangement	Original Expiration Date	Length of Program on approval (Years)	Amount Agreed on approval (SDRs)*	% of Quota	Actual Termination Date	Length of Program Actual (Years)	Amount Drawn (SDRs)*
1 Stand-By Arrangement	13-Jun-63	12-Jun-64	1	10,000,000	50.0	12-Jun-64	1	0
2 Stand-By Arrangement	01-Jun-73	31-May-74	1	26,500,000	50.0	31-May-74	1	13,250,000
3 Stand-By Arrangement	11-Aug-77	10-Aug-79	2	64,000,000	120.8	09-Jun-78	1	19,200,000
4 Extended Fund Facility	09-Jun-78	08-Jun-81	3	200,000,000	270.3	10-Jun-79	1	70,000,000
5 Extended Fund Facility	11-Jun-79	10-Jun-81	2	260,000,000	351.4	12-Apr-81	2	85,000,000
6 Extended Fund Facility	13-Apr-81	12-Apr-84	3	236,400,000	213.0	12-Apr-84	3	402,800,000
7 Stand-By Arrangement	22-Jun-84	21-Jun-85	1	64,000,000	44.0	21-Jun-85	1	64,000,000
8 Stand-By Arrangement	17-Jul-85	31-May-87	2	115,000,000	79.0	16-Jul-86	1	41,600,000
9 Stand-By Arrangement	02-Mar-87	31-May-88	1	85,000,000	58.4	31-May-88	1	85,000,000
10 Stand-By Arrangement	19-Sep-88	30-Nov-89	1	82,000,000	56.4	23-Mar-90	2	41,100,000
11 Stand-By Arrangement	23-Mar-90	31-May-91	1	82,000,000	56.4	31-May-91	1	82,000,000
12 Stand-By Arrangement	28-Jun-91	27-Jun-92	1	43,650,000	30.0	30-Sep-92	1	43,650,000
13 Extended Fund Facility	11-Dec-92	10-Dec-95	3	109,125,000	54.3	16-Mar-96	3	77,750,000
14 Stand-By Arrangement	04-Feb-10	03-May-12	2	820,500,000	300.0	03-May-12	2	541,800,000
15 Extended Fund Facility	01-May-13	30-Apr-17	4	615,380,000	225.0	10-Nov-16	3.5	558,730,000
16 Stand-By Arrangement	11-Nov-16	10-Nov-19	3	1,195,300,000	312.2		3	0
			32					28

\* Source: IMF

\*\* SDR = Special Drawing Rights

It is inconsistent with the Jamaican identity -- our identity -- of a proud and independent people with a message for the world. Yet, for my generation, all we have ever known, is life in and out of structural adjustment programmes with the international community. It falls to my generation -- our generation -- to change that.

Our goal and aim should be to put ourselves in a position where we have fiscal and monetary buffers that provide insulation in lean times.

We must be like Joseph, the son of Jacob, who stocked the barn in good times, so we can retrieve from our own barn in bad times instead of having to depend on the international community. The Joseph principle should be our principle.

Our engagement with the IMF this time around has been different. With just under three years of the previous administration and just over three and a half years of this administration (by November 2019), Jamaica is set to complete our engagements with the IMF having fully lived up to our commitments.

What started as an IMF programme became Jamaica's programme with IMF support.

The Andrew Holness Government terminated the US\$930m Extended Fund Facility (EFF) with the IMF, six months into office which was also six months before the maturity of the EFF.

With the EFF, Jamaica borrowed money from the IMF. In its place Jamaica entered into a larger US\$1.6 billion Precautionary Standby Arrangement.

We are now 2 ½ years into this Precautionary Standby Facility, with 6 months to go and Mr. Speaker, I am proud to say that...so far....Jamaica has had no need to draw down on and borrow funds from the IMF.

Jamaica, Mr Speaker, is moving in the right direction.



Jamaica's economic reform programme has delivered for Jamaica, is delivering for Jamaica and will continue to deliver for Jamaica.

For these reasons, the fundamental essence of Jamaica's economic reform programme will be maintained even when our agreement with the IMF ends.

## **1.5 GROWTH WITH EQUITY**

On my appointment as Minister of Finance I established the economic policy direction of the government as (1) the pursuit of economic independence, (2) the promotion of economic opportunity for all, and (3) the protection of the vulnerable.

This is the policy architecture that is required for us to achieve growth with equity.

The struggle for greater levels of equity has occupied the Jamaican consciousness for hundreds of years. And rightly so. Over that time we have made incredible progress on the march for greater levels of equity and social justice and we continue that march. However, no society is disconnected from its past and historical inequities have undoubtedly cast a long shadow.

Our two major political parties at their inception, and through the course of their histories, identified with the struggle of Jamaican people.

We are one of few countries in the world where the trade union movement is represented and entrenched on both sides of the political aisle, with both major political parties allied with major labour unions.

As for the Jamaican Labour Party, it grew out of the first and oldest union movement in the Caribbean that was formed to agitate on behalf of the Jamaican working class. Today, the Bustamante Industrial Trade Union is the largest multi-industry trade union in the Caribbean.

Equal Rights and Justice has been the rallying cry of the Jamaica Labour Party for 75 years, repeated at every meeting of the Jamaica Labour Party wherever two or three are gathered. Jamaica Labour Party administrations, from the 1940's to the present time, have advanced the cause of equity and justice in Jamaica.

I am sure the other side would make a similar claim.

As a result Mr Speaker, the issue of equity has always been in the political economy and springs from the unique foundation and alignments of our major political movements. This is our source of strength, yet it is often undermined by the political class itself.

Much of our political discourse is about trying to deny this unique historical reality, and worse, denying our respective contributions in this struggle. This is nationally self-defeating. It is nationally dis-empowering. It is empty and it only serves the narrow interest of some politicians and not the long term interest of the people.

On the other hand, the quest for economic growth has not always been a part of the political economy even though, the expansion of our economy is a necessary condition for us to achieve the aspirations and dreams of all Jamaicans.

Growth and equity are not mutually exclusive. Rather they go hand in hand and are mutually reinforcing. Higher levels of growth provide the means through which greater levels of equity can be achieved.

Greater societal equity increases the productive potential of our people and fosters greater social harmony, both of which are conducive to higher economic output.

Equity is multi-faceted too. We need equity for all members of our society. For basic school children and tertiary students, for civil servants and even for politicians, for inner city youths and for small business, for men and women, for children and for pensioners, for the 92% of Jamaicans employed in the private sector and for the 8% of Jamaicans employed in the public sector, for rural and urban, for able and disabled, and even for Jamaicans who find themselves behind bars. We need equity for all Jamaicans.

However, we often speak about equity from our own perspectives without recognizing the legitimate equity aspirations of others or of the broader public good.

One of the lessons of our history is that some policies that seek to address issues of equity in a current time frame have had devastating impact on future generations, through the accumulation of unsustainable debt or through high inflation, both which create severe inter-generational inequity. The debt incurred by prior generations is a chain that has limited the prospects of successive generations.

In order to guarantee equity across generations, we can only sustainably finance the march for greater equity from the dividends of economic expansion.

Mr Speaker, over our 40 year period of low growth, successive administrations have refrained from implementing bold pro-growth fiscal policy that serves the public good and that ultimately advances the cause of equity. Mr. Speaker, that is about to change.

What I will lay out today is a budget crafted to maintain a path of economic independence, that provides economic opportunity for all, protects the vulnerable, and, by so doing, will deliver growth with equity.

## **2.0 ECONOMIC INDEPENDENCE**

Our ability to achieve our aspiration of growth with equity is enhanced by economic independence.

It is the goal of the Andrew Holness government, the goal of this generation, that Jamaica be an economically independent country.

Jamaica, though politically independent, became serially dependent on the international community for economic support and assistance beginning in the

1970's. This dependence has continued for a majority of the nearly 50 years since then.

Economic independence means that we as a country are empowered to chart our economic destiny, to set well-thought out economic priorities, and to provide the framework, rules, and environment that will allow our citizens to freely pursue economic activities in a way that promotes growth and well-being for all.

Economic independence **does not** mean a withdrawal from the global economic and financial system. It **does not** mean that we cannot benefit from external financial flows, technology, and know-how. But it **does** mean that we responsibly take our destiny into our own hands.

This is important as otherwise we fit into the vision of others for ourselves and will not have the chance to pursue our own dreams. While we may be at a certain stage of development now, our vision is not to be *'hewers of wood nor drawers of stone'*.

**Rather, we are a people of destiny, a nation of purpose with a unique role to play in this world.**

With policies that achieve and maintain economic independence, provide economic opportunity for all, and protect the vulnerable, sustained over time, we will eventually produce aircraft components and medical devices right here in Jamaica. We will lead in artificial intelligence and internet security. People will come here for jobs, rather than us migrating there.

That is the vision.

A necessary and fundamental principle to abide by if we are to achieve this vision is to manage our financial affairs so as to maintain a sustainable economic path that guarantees stability for future generations.

Mr. Speaker, Jamaica is now in the best shape, as compared to any other period over the last 50 years, to achieve economic independence.

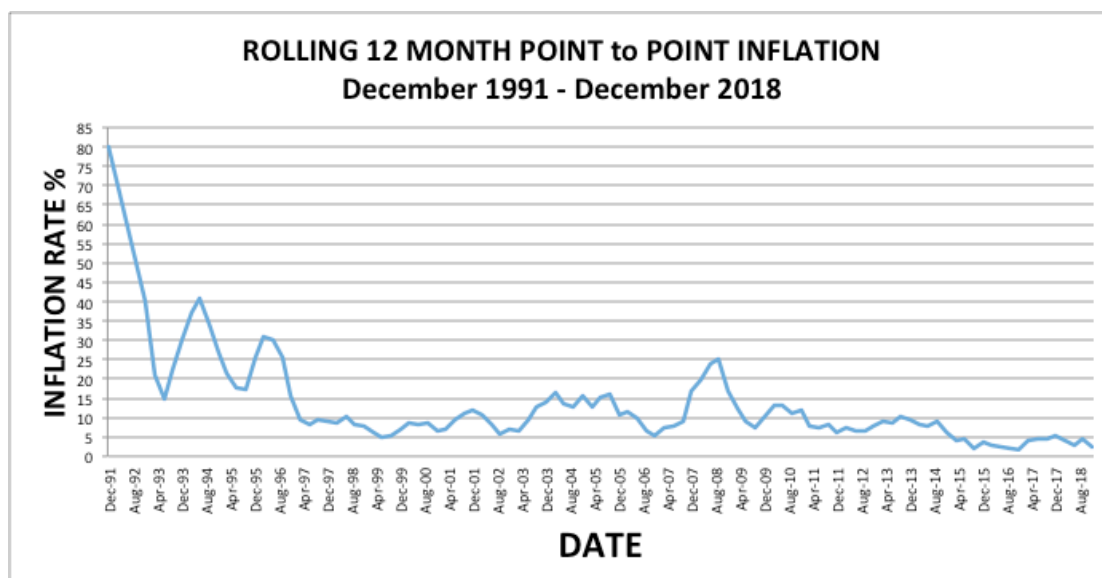
## **2.1 BOJ MODERNISATION**

Mr. Speaker, our economic independence is best assured by having strong domestic institutions. As Minister of Finance, that is what I have set out to do – to catalyse the emergence of strong institutions.

In October last year I tabled the Bank of Jamaica (Amendment) Act aimed at modernising, strengthening and resourcing the Bank of Jamaica. This Act is currently before a Joint Select Committee of the Houses of Parliament.

Mr. Speaker nothing destroys economic independence as much as high, runaway inflation.

High, pervasive inflation of the past has ruined tens, maybe hundreds of thousands of lives in Jamaica and the primary and secondary effects of high inflation have also devastated thousands of businesses.



We have lived it. We know it. High inflation is synonymous with instability; it works against investment, it is not conducive to long term thinking, it retards or reverses development, leads to dysfunctional behavior, and impoverishes people.

High inflation is the enemy of the poor, those without assets, and those on fixed incomes.

Anyone who cares about economic opportunity for all or about social equity must be concerned with the pursuit of low, stable and predictable inflation.

The amendments proposed in the BOJ (Amendment) Act:

- makes price stability the primary goal of monetary policy;
- increases transparency around monetary policy decisions;
- provides for greater accountability to the people of Jamaica through the Parliament, and
- improves governance.

## 2.2 FISCAL COUNCIL

Jamaica is now at the half-way mark, on its debt reduction trajectory, having reduced debt from 147% of GDP projected to 96% of GDP by the end of this month.

However as good as that sounds, our own experience shows that even this reduced level of debt still leaves us vulnerable to external shocks.

That is why this government will seek to further institutionalize economic independence by strengthening our fiscal responsibility framework with the establishment of a fiscal council.

Our fiscal rules became law in 2010 and were strengthened in 2014 where a fiscal balance is prescribed with the view of meeting a debt to GDP target of 60% by 2026

The fiscal council will be the guardian and interpreter of those fiscal rules which already exist, and will help us maintain a path of fiscal credibility long into the future.

## 2.3 FINANCING OF DISASTER RISK

Mr Speaker, even with a stronger central bank, and a credible fiscal council, mother nature could intervene and undermine our efforts.

Like much of the region, Jamaica is vulnerable to natural disasters. While events on the scale of Hurricane Gilbert occur only once every several decades, the data show and our experience suggests that higher frequency events regularly cost Jamaica.

Natural disasters result in unplanned public expenditure or the reallocation of already committed financial resources for reconstruction, rehabilitation and repair.

Budgetary revenues also fall in natural disasters, central bank reserves come under pressure, and the need to borrow increases.

**Jamaica has done too much work and made too many sacrifices to leave us completely exposed, in a post IMF-program environment, to the potential fiscal impact of natural disaster.**

The pursuit of Economic Independence, requires an institutional response to the financial risk of natural disaster.

For this reason the Ministry of Finance is commencing the policy process for a ***Public Financial Management Policy for Natural Disaster Risk*** which we intend to submit to the Cabinet, and if approved, lay in parliament.

We will be pursuing a strategy that provides layers of protection that include:

- accumulating fiscal savings in the Contingency Fund, provided for in the Constitution, only to be used in the event of natural disasters,
- contingent credit available in the event of a natural disaster,
- The Caribbean Catastrophe Insurance Facility, and
- catastrophe bonds or catastrophe-linked insurance.

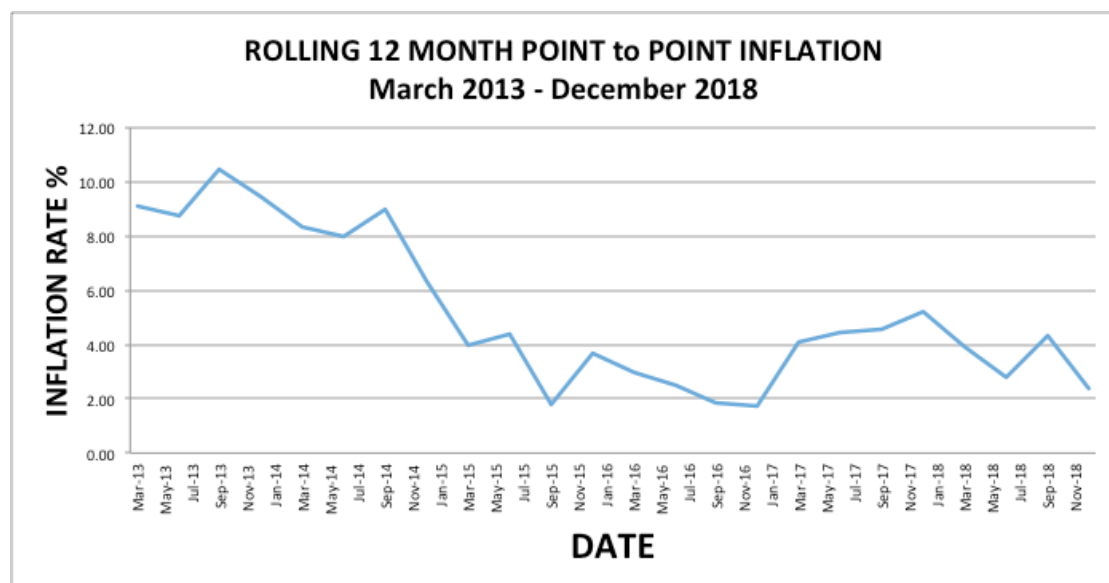
It is the ambition and vision of the Government of Andrew Holness, that Jamaica remain decidedly on a course towards full Economic Independence.

Mr. Speaker we are well on our way in that regard. We are in a period of unprecedented economic opportunity for all.

### 3.0 OVERVIEW OF 2018/19 ACHIEVEMENTS

Mr. Speaker, macro-economic stability, that has long eluded us, is entrenched.

We have had low, stable inflation for four years.

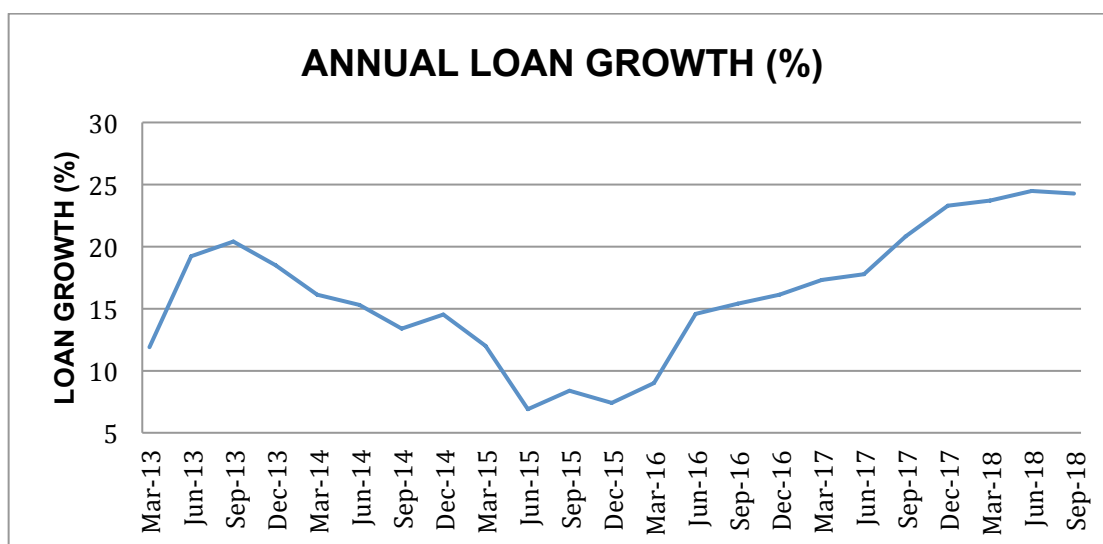


Domestic interest rates are at levels never before seen in Jamaica. The Central Bank has lowered the policy rate 4 times this fiscal year to a record low of 1.5% in February 2019.

Market interest rates for individuals and businesses have never been lower. Many individuals and businesses are now able to access single digit interest rates on Jamaican dollar loans, something that would have been deemed unattainable, unthinkable a few years ago.

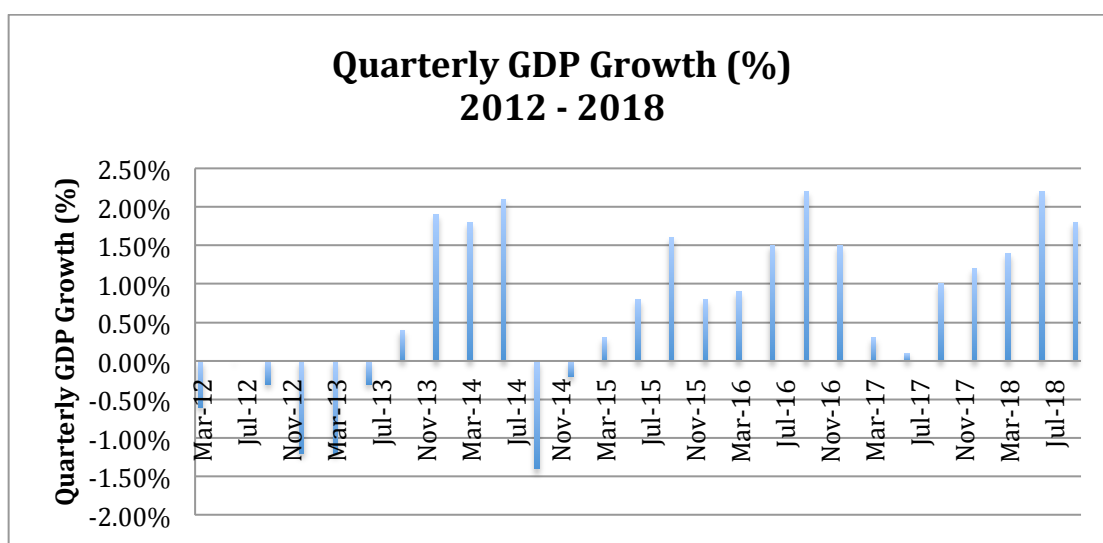
These record low interest rates are allowing individuals and businesses to borrow to accomplish their goals and dreams.

According to BOJ data, loan growth is accelerating and stood at 24% for the twelve month period ended September 2018, the highest in more than six years, while mortgage growth also hit a high of 19% for the twelve month period ended in June 2018.



Source: BOJ. Includes data from deposit taking institutions and capital market

Mr. Speaker, Jamaica has enjoyed 15 consecutive quarters of economic growth, and based on the PIOJ forecasts that record is set to stretch to 16 consecutive quarters for the period ended December 2018.



Source: PIOJ

Since we started measuring economic growth quarterly in 1997, this is the longest unbroken stretch of quarterly economic growth that Jamaica has ever experienced.

While the growth rate for the first half of fiscal year of 2% and the growth rate forecasted for 2018/19 by the PIOJ of 1.9% still leaves room for improvement, let me remind this House:

- This represents the highest growth rate in Jamaica in 12 years.

- This represents longest unbroken period of quarterly growth in 21 years
- GDP measured in constant dollars is at its highest level in Jamaica's history
- The growth rate for the first half of fiscal year 2018/19 is
  - double the average growth rate of the last 40 years
  - four times the average growth rate of the last 20 years and
  - ten times the average growth rate over the last 10 years

Jamaica is moving in the right direction.

Mr. Speaker, there are more persons employed in Jamaica today than ever before in the history of Jamaica. This Mr Speaker is growth with equity.

Our contract with you is that we will manage the economy in a way that encourages investment and expansion that delivers jobs for you.

Mr. Speaker, the unemployment rate recorded in this financial year is at the lowest level ever recorded in Jamaica's history.

Female unemployment is the lowest ever.

This Mr Speaker is growth with equity and Jamaica is moving in the right direction.

Mr Speaker, Jamaica's credit rating has been upgraded by leading international rating agency, Fitch, to our the highest rating in 10 years. Mr. Speaker, another international credit rating agency, Standard & Poor's, revised the outlook on Jamaica upwards from stable to positive.

The pipeline of foreign direct investment is long and robust across the industries of mining, tourism, global services, construction, infrastructure and others.

Mr. Speaker, the Port of Kingston experienced a 7% growth in containers moved in calendar year 2018 over calendar year 2017, housing starts are at the highest levels in over 20 years and tourism arrivals are at record levels.

The Jamaica Manufacturers and Exporters Association tells me that their members cannot find factory space. Manufacturers are "popping up all over the place", operating out of their homes and out of their garages. The demand for manufacturing space is high and outstripping supply.

Jamaica, Mr Speaker, is moving in the right direction.

Central Government Capital Expenditure, including infrastructure that we rely on for development, was at the highest level it has been in 12 years. Capital expenditure for 2018/19 is three times what it was in 2014/15 and twice as much as it was in 2015/16.

Jamaica, Mr Speaker, is moving in the right direction.

Our foreign exchange reserve in the Central Bank are at the highest levels ever and our reserve adequacy stands at 112%, which strengthens our ability to continue to trade globally.

Mr. Speaker, Jamaica is moving in the right direction. We are experiencing a period of great economic opportunity.



## 4.0 OTHER POLICY PRIORITIES FOR 2019/20

### 4.1 PUBLIC PROCUREMENT REFORM

Public procurement reform, pursued over the last five years, will come into force in the next financial year. I remind this House that the Public Procurement (Amendment) Act was passed in August 2018 and two sets of related regulations were passed in June and July 2018.

- I have requested of His Excellency, the Governor General that the Public Procurement Commission (PPC) and the Procurement Review Board be issued their instruments of appointment effective **April 1, 2019**.
- Since the launch of the Electronic Procurement System, almost all GOJ procuring entities are using the system.
- The training and on-boarding of suppliers is an on-going activity and many private sector industries have already been trained and are using the system
- The new Public Procurement Manual (PPM) will be available by **April 2019**.
- All forty-three (43) Standard Bidding Documents have been completed by the drafting consultant and the Technical Working Group will be finalising the revision exercise by **April 1, 2019**
- The final set of regulations, which addresses the registration and classification of suppliers, and which can only come into effect after the establishment of the Public Procurement Commission, will be tabled in the first quarter of FY 2019/20
- The new procurement regime will allow for
  - Set-Asides – which reserve a portion of the annual procurement budget for Jamaican Micro, Small and Medium-Sized Enterprise suppliers (MSMEs), and
  - Domestic Margins of Preference which allow for preferential treatment of Jamaican suppliers in accessing GOJ procurement contracts in specific circumstances
- I intend to table the Set-Aside and Domestic Margin of Preference Orders, in this Honourable House in the first quarter of FY 2019/20.

- The new procurement regime will enhance the potential for Jamaican MSMEs to compete for larger shares of Government of Jamaica procurement contracts.

This, Mr Speaker, represents Economic Opportunity for All in action.

## **4.2 PENSION REFORM**

### **4.2.1 Private Pension Reform**

Pension funds have over \$500 billion in assets and play a critical role in securing a stable future for retirees and providing a pool of domestic assets that can be productively invested.

Regulations to broaden the pool of assets that pension funds can invest in were tabled in the House in February. Comments from the Opposition are being incorporated and the regulations will be re-tabled after the budget.

Private pension reform will address vesting, portability, concurrent membership in pension arrangements, dependent disability pension and indexation, as well as more effective regulation by the Financial Services Commission and will incentivize increased participation in pension plans.

We will table the pension reform bill in Parliament during the 2019/20 financial year.

This Government intends to broaden social protection by increasing the percentage of the workforce that have access to pensions.

This Mr Speaker is Economic Opportunity for All.

### **4.2.2 Government Pension Reform**

The Government passed ground-breaking public pension reform last year, the culmination of a decade of work. We now intend to implement technology to ensure that public sector officers benefit from efficient and timely processing and payments of their pensions.

Today, the public pension system is paper based and manual. It suffers from incomplete records that are dispersed. Service records have to be compiled manually resulting in extensive delays in the approval of the pension benefit.

As such, the Government is implementing the Public Employees Pensions Administration System (PEPAS) which is an on-line application which will be accessible to stakeholders via secured internet, and eligible public sector employees will be able to view their pension-related service records and entitlements online. The

application will automatically compute pension and other welfare benefits for eligible employees.

We are now engaged in training and data input and our aim, eventually, is that for every public officer, your first pension cheque is received one month after your last pay cheque.

That Mr Speaker this is Economic Opportunity for All.

### **4.3 PUBLIC SECTOR REFORM**

#### **4.3.2 Wage Bill Agreement**

The Government is pleased that unions representing over 95% of public sector employees have signed a four year wage deal for the period 2017-2021. I thank the various unions for their professionalism in the negotiating process.

Mr. Speaker, the public sector wage bill represents the single largest allocation in the budget, aside from debt service, and so the management of the growth of the total size of the wage bill is of strategic importance and has an impact on every Jamaican.

Public Sector Transformation therefore remains an ongoing reform.

For the first time, Mr Speaker Jamaica is projected to meet the wage to GDP target of 9% for FY 2018/2019 under our fiscal responsibility law.

However, the structure of public sector compensation is overly complicated with over 325 separate grades and it is non-transparent with over 175 allowance types that breeds inequities in ministries, departments and agencies and across the public sector.

This, Mr Speaker, represents a fiscal risk as attempts to address genuine imbalances in public sector compensation can have unintended, unforeseen consequences.

The Government will be conducting a review of public sector compensation with the aim of simplifying and streamlining public sector compensation, making it more transparent and equitable while addressing imbalances and inequities over time. The Government intends to work closely with our partners in the union to this end and to complete prior to the start of negotiations for the next bargaining period.

#### **4.3.3 Public Sector Transformation**

We have accelerated the rationalisation of public bodies and a number of mergers, privatisations, reintegrations and related actions have been announced.

We intend to complete the implementation of shared corporate services in human resource management in this financial year and begin shared corporate services implementation with respect to audit and public relations.

We will be making greater use of technology to bring greater efficiency to public service delivery and to control costs.

#### **4.3.4 Tax Office Modernisation**

Mr. Speaker there are many efforts to improve service delivery in the public sector and I want to briefly describe one such effort within the Ministry of Finance.

Tax Administration Jamaica (“TAJ”) intends to improve its physical infrastructure, increase the cadre of cashiers, expand its queue management system and implement additional eService solutions to improve customer service delivery and the customer experience. For example, in FY 2019/20 TAJ will develop a mobile app to accommodate payment of certain tax types including Property Tax and Traffic Ticket fines.

In the upcoming financial year we will begin the designing and planning process for new tax offices to replace those at Portmore, Cross Roads, Christiana, Santa Cruz, St. Ann’s Bay, Brown’s Town, Buff Bay as well as for the retrofitting and reorganisation of Tax offices in Mandeville and Montego Bay.

### **4.4 FINANCIAL DEEPENING**

Mr. Speaker, let me now turn to the issue of increasing the provision of financial services to all Jamaicans. Economists refer to this work as “financial deepening” but, in its essence, it is simply a focus on creating an environment where every Jamaican can have improved access to financing to realize their dreams and achieve their own economic independence.

#### **4.4.1 The Opportunity**

I often speak of the opportunity that arises from the reduced need of the Government to borrow. Very often we focus on the significant reduction of the government’s debt from its level of 147 percent of GDP to now 96 percent, as simply good fiscal management. The more important focus, in my view, is that this reduced borrowing means that the same resources that were previously lent to the Government are now available to facilitate private economic activity, to facilitate you, the people of Jamaica. The focus of the Government is to accelerate this process and to build out some of the mechanisms through which this additional liquidity can become available.

In November 2018, I established an inter-agency Financial Deepening Implementation Group, chaired by Jamaican international economist David Marston and comprised of representatives of the BOJ, DBJ, FSC and the Jamaica Stock Exchange (JSE) to substantially accelerate this work.

#### 4.4.2 Improving Access to Financing through Factoring of Receivables

Let me first speak about the program for the **Factoring of receivables**. Receivables represent one of the largest assets of small business. In the coming months, the DBJ working in partnership with the private sector will launch a program where a supplier with a legitimate invoice evidencing that you have supplied goods or services to a buyer, can present this to a financial institution who will purchase the invoice. So rather than waiting 1, 3, or 6 months to get paid by the buyer, the holder of the invoice can be paid immediately less a small discount. The invoice or receivable becomes a new way of financing and reduces the need for the supplier to try to get a loan while waiting to be paid. The work to bring this on stream is advanced. The necessary regulatory changes are in place; the product design is being finalized; consultations with stakeholders will begin shortly and after procuring the right technology, a pilot will be launched late summer 2019.

This Mr. Speaker will bring financing options to small business that they don't have today and represents Economic Opportunity for All in action.

#### 4.4.3 Improving access to capital markets

The second near-term deliverable involves improving the conditions for companies to raise funds in the capital markets.

A fully fledged trading platform for GOJ and private debt is being established at the Jamaican Stock Exchange. The BOJ will shortly modify its Central Securities Depository (CSD) to allow for real time disclosure of the prices and trading volumes of GOJ securities and to create a market at the JSE for private debt issued under exempt distribution regulations.

The Financial Services Commission will shortly clarify its guidance to ensure that companies that have already met the disclosure and due diligence requirements for listing on the Stock Exchange and wanting to issue debt are able to do so without any delays.

This Mr Speaker will lead greater transparency in the pricing of debt instruments. It will create further competition in the financing space that will create greater economic opportunity for all.

#### 4.4.4 Independent ratings for issuers of private debt

The third near-term deliverable is the launch of a program for **independent ratings for issuers of fixed income securities**. We want our pension and insurance funds to be invested prudently and the assets that they invest in should be of good quality.

For borrowers, with ratings comes the benefit of better pricing of their placements. For financial institutions, ratings will allow for a diversification of the assets that qualify as liquid.

#### **4.4.5 Foreign Exchange Market**

So Mr Speaker, the Central Bank is in transition. The Central Bank has been pursuing inflation targeting even in advance of the modernisation. Inflation outcomes have been lower than target which has provided room for the Central Bank to lower interest rates, providing further support for economic expansion. The Central Bank has also lowered the Cash Reserve Ratio thereby releasing over \$16 billion of liquid resources to banks for them to support further increases in loans on better terms.

The foreign exchange market is also in transition. We are moving away from a one-way foreign exchange market characterised by zero volatility and frequent interventions to one characterised by two-way movements, market determined prices, non-zero volatility and less frequent interventions.

This transition is not without teething pains. The Central Bank will be investing in foreign exchange trading infrastructure that will allow for greater transparency in pricing, and that will catalyse less uncertainty which is often caused by an absence of information.

### **4.5 GOVERNANCE**

Mr Speaker, we will table regulations this coming financial year to improve governance of public bodies.

These regulations, of which a first draft has already been produced, will prescribe the process for the nomination, selection, and appointment of persons to the Board of public bodies.

The regulations will improve the transparency of the process, and will provide an opportunity for a wider pool of Jamaicans to serve on the board of public bodies. The new regulations will therefore deepen the participation in our democracy.

The new regulations will provide greater assurance that the appropriate skills, the relevant expertise and necessary experience are available to boards of public bodies.

### **4.6 OTHER LEGISLATIVE PRIORITIES**

#### **4.6.1 Micro Credit Act**

The Micro Credit Bill was tabled in parliament in February. The legislation is geared towards ensuring that micro-credit services operate within an environment of

transparency and accountability. The Act is designed to improve access to credit for individuals and informally operated MSME's who rely on micro-credit services. It is designed to protect customers from predatory lending practices and to ensure that micro-credit organisations are not used to facilitate money laundering.

#### **4.6.2 Credit Union Legislation**

The process to establish supervisory oversight of the credit union sector by Bank of Jamaica is ongoing and will involve the tabling and eventual passage of two companion pieces of legislation: namely the Credit Union (Special Provisions) Act and amendments to the Co-operative Societies Act. These Bills have been drafted and are now going through the review process.

#### **4.6.2 Customs Act**

The process to modernise customs procedures with the repeal and replacement of the Customs Act will be advanced with the tabling of the new Customs Act this year. This will improve Jamaica's competitiveness, expand opportunity for our SME's and accommodate logistics activities that are difficult to undertake under the current Act.

## **5.0 OVERVIEW OF 2019/20 CENTRAL GOVERNMENT EXPENDITURE BUDGET**

For the first time, the Ministry of Finance and Planning has made available a Citizen's Guide to this budget which presents in plain English for every Jamaican the information that I am about to share today. It is available in every major national newspaper and on the Ministry's website.

Mr. Speaker, for FY 2017/2018, the Central Government is programmed to spend a total of \$835.9 billion of which \$803.2 billion will be funded from the Consolidated Fund and \$32.7 billion from Appropriations in Aid.

The \$803.2 billion to be funded from the Consolidated Fund comprises:

- Non Debt Expenditure of \$528.8 billion
- Public Debt Service of \$ 274.4 billion,

### **5.1 NON-DEBT EXPENDITURE**

Non-Debt Central Government Expenditure of \$528.8 billion is comprised of:

- Recurrent Expenditure of \$421.2 billion,
- Capital Expenditure of \$72.1 billion; and
- Below-the-line expenditures of \$35.5 billion including provision towards the capitalisation of the BOJ.

Approximately \$210.4 billion Recurrent Expenditures will go toward compensation of Central Government employees. The amount allocated for compensation includes the increases agreed with public sector unions.

The remaining \$210.7 billion of the Recurrent Expenditures proposed for FY 2019/2020 will go towards funding Recurrent Programmes.

Nominally, the 2019/20 allocation for Recurrent Programmes is flat relative to the 2018/19 Revised Recurrent Estimates, however comparison between both financial years must take account of (i) the significant increases in the First and Second Supplementary Estimates over the approved 2018/19 budget and (ii) approximately \$8.3 billion of the amounts provided in the FY 2018/19 First and Second Supplementary Estimates were for meeting one-off expenditures which will not be repeated in FY 2019/20.

Recurrent Programme Expenditure includes:

- **\$2.7 billion** to the Ministry of Economic Growth and Job Creation (MEGJC) to meet expenses associated with islandwide disaster mitigation and various road improvement programmes and
- **\$339.9 million** to support planning and other pre-investment activities associated with three major investments projects being coordinated by the Urban Development Construction – construction of the new parliament building, establishment of government oval at National Heroes Park, and the development of Port Royal.

## 5.2 CAPITAL EXPENDITURE

The 2019/20 Capital Budget of the Central Government is \$72.1 billion, and reflects a 5% increase over the 2018/19 Revised Estimates, and which more than doubles the capital expenditure levels inherited by this Administration.

Mr. Speaker, I will now provide some details on how the Capital Expenditure budget has been allocated.

### 5.2.1 National Security

National Security with an allocation of \$20.2 billion or 28% of the total Capital Expenditure, has received the largest share of the Capital Budget representing an increase of \$7.5 billion or 61% over the 2018/19 Revised Estimates. This is reflective



of the priority the government places on improving security for the citizens of Jamaica. The allocation, which will facilitate implementation of new and on-going projects under Plan Secure Jamaica, includes:

- **\$2.9 billion** to complete the final phase of the Lathbury Barracks and phase I of Burke Barracks in Montego Bay; and upgrading the Moneague Training Camp in St Ann. This is a deliberate strategy of regionalisation. Prior to this military personnel were not ideally distributed across Jamaica. Improving barracks in Central Jamaica and establishing barracks in the West allows the JDF to have troops in all counties, at all times, allowing for more efficient response as required.
- **\$11.8 billion** to continue the acquisition of general and specialised equipment including
  - Coastal surveillance equipment,
  - Telecommunications equipment;
  - Cybersecurity equipment
  - Aircrafts and Ships for the security forces
- This will allow Jamaica to improve its border security and stem the flow of illegal weapons and contraband which fuels organised crime.
- **\$1.8 billion** for the acquisition of patrol and other security vehicles including approximately 1,000 motor vehicles for the police to improve their mobility.
- **\$1.0 billion** to facilitate the renovation of 60 police stations islandwide, including new police stations in Savanna-La-mar and Spanish Town, and to commence construction of the Autopsy Suite in Kingston;
- **\$393 million** for the construction and improvement of correctional facilities - the Diamond Crest Correctional Centre, St Catherine Adult Correctional Centre, Horizon Correctional Centre and preliminary activities for the new Long Pond Detention Centre. Equity, Mr. Speaker, extends to inmates too and those required to work in those environments.

Mr. Speaker the dedication of significant resources to national security arises out of the Government's conviction that the high incidence of violent crime is a significant source of inequity in Jamaica. Jamaicans who live in areas subject to consistent violence, or under the control of organised crime, are denied an equal chance at life. Due to the restricting nature of pervasive violent crime, they are victims of unequal access to services and unequal opportunities in the work place.

If we care about equity and justice we must care about national security not for some, but for all.

### 5.3.2 Infrastructural Works

The second largest allocation of \$18.4 billion in the 2019/20 capital budget will facilitate major infrastructure works being implemented by the Ministry of Economic Growth and Job Creation and it includes:

- **\$4.8 billion** to complete works along the Mandela Highway, Constant Spring Rd, Hagley Park Rd and the Ferris to Mackfield Road in Westmoreland under the MIDP programme.
- **\$586 million** to continue civil works on the Broadgate to Agualta Vale Road section and achieve 100% completion during FY 2019/20.
- **\$8.4 billion** to facilitate land acquisition, design; supervision and commencement of civil works along the south eastern road corridors and the May Pen to Williamsfield leg of the East-West Highway under the Southern Coastal - Highway Improvement Project (SCHIP)
- **\$950 million** in total to commence major development works in Montego Bay with \$400 million going towards the rehabilitation of the groynes in order to protect shoreline and marine ecosystems along the Montego Bay Waterfront; and \$550 million towards the development of a 6.5 hectares active public park with recreational amenities for the people of Montego Bay;
- **\$3.7 billion** to the Ministry of Health (with added support of \$2.0 billion from the National Health Fund); Mr Speaker, I'm happy to declare that \$1.0 billion of the \$3.7 billion is earmarked to carry out rehabilitation works on the Cornwall Regional Hospital.

## 5.4 ECONOMIC OPPORTUNITY FOR ALL

Mr. Speaker the Government is using the capital budget to expand Economic Opportunity for All.

### 5.4.1 Rural Water

- The Government is allocating **\$795 million** to facilitate implementation of projects by the Rural Water Supply Limited to upgrade rural water supplies in several parishes which will involve the rehabilitation of catchment tanks, the the installation of guttering, storage, and solar pumps in schools and public institutions; **This allocation represents an approximate 8-fold increase from the \$100 million allocated in 2018/19 reflecting the priority this government places on rural water.**

#### 5.4.2 Agriculture growth and development

Mr. Speaker continued performance of the agricultural sector is key to improved growth outcomes and to expanding economic opportunity in rural Jamaica.

The following allocations have therefore been made:

- **\$752 million** to continue the rehabilitation and development of major rural farm roads.
- **\$1.1 billion** to support development expansion and rehabilitation of irrigation infrastructure in order to make more irrigable lands available for agricultural purposes and reduce the reliance on rainfall for water in farming. This will positively impact the Essex Valley and the Pedro Plains.
- **\$326 million** has been allocated to continue development of the Spring Gardens Agro Park through improvement of on-farm roads, rehabilitation of the existing Packing House, installing pumping equipment and the installation of river training structures on a nearby river to reduce flooding and soil erosion.

#### 5.4.3 Access to Finance for the MSME Sector

Mr. Speaker, finance is the oxygen of business. Ideally we want private financial institutions to provide competitive credit options for all businesses.

However, given the government's commitment to expand economic opportunity for all we will be improving access to finance for Micro, Small and Medium Enterprises (MSME) by significantly increasing allocations for MSME financing through the DBJ and other intermediaries. In FY 2019/20 a total of \$1.8 billion will be made available for loans to the sector:

- (i) **\$1.0 billion** through the Ministry of Economic Growth and Job creation of which
  - **\$600 million** is to provide loan guarantees, through a Credit Enhancement/Loan Guarantee Fund, to MSMEs with limited or no access to the collateral required to access loans. This is an increase of \$350 million or 140% from \$250 million in the FY 2018/19 financial year.
  - **\$400 million** to finance the Risk Capital Financing Fund for MSMEs, a four-fold increase from \$100m in FY 2018/19.
- (ii) **\$763 million** through the Ministry of Finance and the Public Service

- **\$500 million** specifically reserved for micro businesses, those businesses with sales of less than \$10 million; and
- \$263 million line of credit between the Ministry of Finance and the Development Bank of Jamaica under the Foundations for Competitiveness and Growth project.

This, Mr Speaker, literally represents expanding Economic Opportunity for All.

#### **5.4.4 Side Car Fund**

Mr. Speaker, with the technical and financial support of the Inter-American Development Bank, the Government expects to launch a Side Car Fund Facility that will provide \$200m in equity financing to very early stage, scalable and investment-ready startups by matching the support from identified Angel Investors on eligible ventures.

We expect that the Side Car Fund will address issues that hinder women's participation in tech scalable start-ups.

Again, Mr Speaker this represents Economic Opportunity for All.

#### **5.4.5 Human Capital Development**

##### **5.4.5.1 School Upgrade**

- **\$1.25 billion** to the Ministry of Education to continue work in improving the quality of education by upgrading school infrastructure; facilitating the Primary Exit Profile (PEP) Strategy; building capacity and promoting safety and security in schools.

##### **5.4.5.2 Funding for Tertiary Education**

On the theme of economic opportunity for all, Mr Speaker, the Government is focused on increasing the accessibility of tertiary education as this is a promising means by which economic opportunity can be expanded.

In 2019/20 the Government will provide grant support of \$3.0 billion to the Student Loan Bureau (SLB).

In the past three (3) years the value of loans disbursed by the SLB has increased by over 22%. In the 2017/2018 year, 99% of applicants to the SLB were successful.

## STUDENT LOAN BUREAU SUMMARY PERFORMANCE STATISTICS

	Applications Received	Applications Approved	Approval %	Disbursements (\$ millions)
2017/18	13,724	13,568	99%	4,037
2016/17	13,692	13,200	96%	3,800
2015/16	13,620	12,928	95%	3,312

### Sustainability of the Revolving Loan Fund

A new Board has been appointed to the SLB with a mandate to ensure that financing for tertiary education continues to be affordable and accessible and that the revolving loan fund becomes sustainable.

The new Board is developing a strategy to achieve these objectives, including improving the SLB's use of technology and its management of loan delinquencies.

### Immediate Reforms

Nevertheless, in keeping with the objective of expanding Economic Opportunity for All the SLB will implement the following reforms:

- **For new loans, application of payments will be made to the most outstanding balance first.** Historically, for decades, payments made to the SLB by borrowers has been applied first to penalties, then to interest and finally to principal. This is not in keeping with the practice of financial institutions generally and has the effect of making the SLB's loans harder to service. Economic Opportunity for All means that payments by borrowers will be applied to most outstanding payment first.
- **Effective immediately, eligible borrowers in good standing with the SLB will be entitled to a reduction in their interest rates of 2 percentage points** in keeping with the reduction in the BOJ policy rate over the time since the last adjustment.
  - a. From 9.5% to 7.5% for post-graduate loans, and
  - b. From 6% to 4% on the Pay-As-You-Go loan.
- **All borrowers employed full time to registered charities, which are in good standing, will have 10% of their loan balance forgiven for each full year that they are employed full time to a registered charity effective April 1, 2019.**

Mr. Speaker I operated a charitable organisation for approximately 10 years before politics. I know of the difficulties and challenges. There are many

charities doing outstanding work in Jamaica. We want to encourage them and to encourage talented graduates to work in the NGO space, even for a time, as we work to build a better Jamaica.

This policy helps the student, helps the charitable organisation, helps the vulnerable population served by charities, and helps Jamaica.

We are improving access to tertiary education. We are expanding Economic Opportunity for All.

#### *5.4.5.3 BPO Upskilling*

Mr. Speaker, with the advance of telecommunications and technology, increasingly services are being delivered remotely. Accounting services, programming services, and even medical services and Jamaica has an excellent opportunity to participate in the higher valued segments of the Global Services Sector.

In this budget therefore, **\$192 million** has been allocated to the Ministry of Industry, Commerce, Agriculture, and Fisheries (MICAF) to fund the new Global Services Skills Project to be coordinated by JAMPRO for the purpose of training and upskilling Jamaicans to participate in the higher valued global services sector.

This is developing our human capital and expanding Economic Opportunity for All.

#### *5.4.5.4 Funding for Research and Development*

Mr. Speaker, we will making a direct provision of **\$200 million** to specifically fund research and development to be carried out by faculty and/or students at our tertiary institutions. Research is of fundamental importance in achieving our vision of Jamaica.

Around the world government spending on research and development has been responsible for some the most impactful scientific and technological breakthroughs we know: from the internet itself, GPS, the original algorithms that power Google, many vaccines among other advances spring from research all funded by Government.

We have many challenges in Jamaica that could benefit from dedicated research led by the best minds in our universities. We will make grant funding available on a competitive basis where invitations for proposals will be issued in particular areas in which the Government has an interest. A transparent and independent mechanism for allocating these research grants will be established.

This Mr. Speaker will contribute to building our human capital and will ultimately expand Economic Opportunity for All.

## 5.5 PROTECTION OF THE VULNERABLE

Mr. Speaker, I now turn to one of the most important parts of my presentation, namely, protecting the poor and vulnerable during this period of transformation of the Jamaican economy.

We are strengthening social protection in the 2019/20 budget.

So far, in my presentation, I have emphasized the importance of strengthening the capacity for Economic Independence, maintaining macroeconomic stability in order to sustain medium-term growth, and expanding Economic Opportunity for All.

Even as we celebrate achievements to date, we should not lose sight of the fact that many among us are poor and vulnerable to economic shocks.

But with economic successes come opportunities. The downward trajectory of our public debt as a share of GDP, and the increased buoyancy of revenues, have opened up fiscal space for this government to begin to address long overdue human capital development issues, and to step up further social interventions to protect the poor and vulnerable.

Children are among the most vulnerable groups and account for almost one-half of those living in poverty. Other vulnerable groups include persons with disabilities, the homeless, the elderly and youth, as well as those within the category of working poor.

Since the beginning of this Administration we have been scaling up budgetary allocations to the main social protection programs. For example, budgetary allocations to PATH and School feeding in 2019/20 is 72% higher than the budgetary allocation for these programs in 2015/16.

The Government of Jamaica will be adopting a more strategic approach to social protection and poverty reduction in Jamaica. A strategic medium- to long-term focus will include a **comprehensive public expenditure review** of the existing interventions to analyse: (i) targeting; (ii) graduation rates; (iii) efficiency; and (iv) and adequate funding for key interventions.

The public expenditure review will allow for better targeting, better outcomes, reduced non-compliance and better deployment of case workers to ensure conditionalities are met.

In the meantime, Mr Speaker, we are increasing the allocation across our portfolio of major social protection programmes from \$16 billion in 2018/19 to \$20 billion in 2019/20, an increase of 25%. That, Mr Speaker is Protection of the Vulnerable in action.

#### **5.5.1 PATH Conditional Cash Grants**

Having regard to established criteria for the review of PATH benefit levels, the Ministry of Labour and Social Security has proposed an average increase of 16.4% to the PATH Cash Grants, with effect from June 2019 to the estimated 284,000 beneficiaries who fall within the vulnerable groups of children, the elderly, pregnant/lactating women, persons with disabilities, and poor adults.

The proposed increases in the cash grant to beneficiaries range from 13.9% to 23.1% for the 2019/20 financial year. Mr. Speaker \$8.3 billion has been allocated to the PATH Programme in FY 2019/20 to facilitate PATH cash benefits inclusive of the increases.

With this increase, over the course of the Andrew Holness administration individual cash grants to beneficiaries under PATH will have increased by between 45% and 55%.

This, Mr. Speaker, is evidence of our commitment to Protection of the Vulnerable.

The Government is aware that self-exclusion is an issue and the increased benefits should provide greater incentive for eligible families to apply to PATH. In addition, the Ministry of Labour and Social Security is implementing an aggressive strategy to reach into deep rural areas to educate households about their eligibility to apply for PATH benefits, and assist these households with the application process.

Additional case workers will also be deployed to strengthen compliance under the PATH. It is estimated that about 1,000 families will be case-managed, and grants provided, where needed.

#### **5.5.2 PATH School Feeding Programme**

Mr. Speaker, under the PATH School Feeding Programme, an additional allocation of \$347 million, representing a 7% increase, has been made available to facilitate the expansion of the programme to PATH beneficiaries at the Early Childhood level. The total allocation to school feeding for FY 2019/20 will therefore be \$5.1 billion up from \$4.8 billion in FY 2018/19.

#### **5.5.3 PATH Examination Support**

An additional allocation of \$200 million has been provided to the Ministry of Education, Youth and Information under the Examination Fees Assistance Programme to support payment for 4 additional subjects for PATH secondary level students sitting exit CSEC examinations.



This increases the allocation for PATH Examination Fee Assistance by 50% from \$400 million to \$600 million.

#### **5.5.4 PATH Back to School Grants**

An allocation of \$562 million is included in the budget to support retention of the Path Back to School Grant which was first introduced in August 2018 from normal flows; the benefit will be institutionalised under PATH and payments made once per year in August at the start of the new school year;

#### **5.5.5 PATH Transportation Grants**

An allocation of \$380 million in budgetary support has been provided to the Ministry of Education, Youth and Information to support the provision of Transportation Grants to Schools. The initiative is being pursued by the Ministry as a strategy to significantly reduce the transportation cost of seven thousand five hundred (7,500) students, who are registered beneficiaries of PATH, attending ninety four (94) public schools across Jamaica.

This, Mr Speaker, increases the allocation for PATH Transportation by \$180 million or 90% from \$200 million in FY 2017/18 to \$380 million in FY 2019/20.

These increased budgetary allocations to expand PATH School Feeding, PATH Examinations and PATH Transportation in addition to the average 16.4% increase in PATH cash grants represent Protection of the Vulnerable in action.

#### **5.5.6 Social Housing**

Mr. Speaker, still with Protection of the Vulnerable, a new budgetary allocation of \$1.0 billion has been made to the Ministry of Economic Growth and Job Creation to support implementation of an island-wide social housing programme across all 63 constituencies comprising 3 modalities:

- a. The provision of indigent housing,
- b. Relocation of vulnerable communities and
- c. Upgrading of Tenements / ' Big Yards'

This, Mr Speaker, represents Protection of the Vulnerable in Action.

#### **5.5.7 Jamaica Integrated Community Development Project**

Mr. Speaker the Government is increasing its allocation to the Jamaica Integrated Community Development Project by 41% or \$627 million in 2019/20 and will spend a total of \$2 billion on this project this year.

This project, contributes towards increased community safety and violence prevention in 17 economically vulnerable and socially volatile communities and

enhances access to basic urban infrastructure and services including sanitation, water and electricity as well as youth development programmes.

This, Mr Speaker, represents Protection of the Vulnerable in action.

#### **5.5.8 Poverty Reduction Programme**

Mr Speaker, the Government is increasing its allocation to the Poverty Reduction Programme by 174% or \$349 million to \$558 million in FY 2019/2020. This project is the fourth phase of a programme supporting poverty reduction in Jamaica through grant funding from the European Union.

The European Union has been the largest provider of grants to Jamaica and we thank them for their continued support in this manner.

This, Mr Speaker, represents Protection of the Vulnerable in action.

#### **5.5.9 Basic Needs Trust**

Mr Speaker the Government is increasing its allocation to the Basic Needs Trust Fund project several fold, from \$163 million in FY 2018/19 to \$573 million in FY 2019/20.

The Basic Needs Trust Fund, financed by grant resources from the Caribbean Development Bank (CDB), seeks to improve access to quality education and human resource development in low-income and vulnerable communities. This includes upgrades to rural primary schools and support to micro community enterprises through 14 projects for FY 2019/20 in select communities across Jamaica.

This, Mr Speaker, represents Protection of the Vulnerable in action.

#### **5.5.7 Shelter for Victims of Domestic Violence**

The vulnerable include women subject to domestic abuse and violence. Mr. Speaker the Ministry responsible for Gender Affairs is being allocated \$126 million to facilitate the establishment of 2 new centres for women who are victims of domestic violence which will become available by the end of FY 2019/20. We will then have one centre to serve parishes in each of the three counties – Cornwall, Middlesex and Surrey.

This, Mr Speaker, represents Protection of the Vulnerable in action.

#### **5.5.8 Citizen Security and Justice Programme**

Mr. Speaker, allocation to the Citizens Security and Justice Programme has been increased by \$300 million or 27% over FY 2017/18 for a total allocation of \$1.4 billion for FY 2019/20. The Citizens Security and Justice Programme is aimed at providing

social intervention, behaviour change in conflict resolution and social inclusion strategies in vulnerable communities across Jamaica.

This, Mr Speaker, is Protection of the Vulnerable in action.

#### 5.5.9 Codes of Practice for Effectiveness of the National Disabilities Act, 2014

Mr Speaker, \$25 million has been allocated to complete and finalise the six Codes of Practice & the attendant Regulations under the National Disabilities Act which was passed by the Parliament in October 2014 – 4 ½ years ago – but it has not been given an effective date due to the delays in completing the Codes of Practice:

The Act provides a legislative framework for the protection of the rights of persons with disabilities in Jamaica. Completion of the Codes of Practice & the Regulations will be an important step in facilitating the inclusion of the population of persons with disabilities in national development.

Again Mr Speaker, the initiatives identified reflect increases totalling approximately \$4 billion in budgetary support towards protection of the vulnerable in FY 2019/20 across our portfolio of major social protection programmes from \$16 billion in FY 2018/19 to \$20 billion in the 2019/20, an increase of 25%.

This, Mr Speaker, is Protection of the Vulnerable in action.

#### 5.5.10 Government pensioners

In addition Mr Speaker \$600 million has been included in the 2019/20 budget to increase pensions for retired government employees which is in addition to the \$600 million increase applied in 2018/19 and approved by Cabinet just a few weeks ago.

The majority of this increase is allocated to persons who receive the smallest pensions.

This Mr Speaker is Protection of the Vulnerable in action.

#### 5.5.11 NIS and Minimum Wage.

Earlier this year, NIS pensions were also increased and the minimum wage was adjusted upwards. We have over 120,000 NIS pensioners who benefited from a 14% increase in NIS pensions. We also have over 350,000 persons enrolled and the Ministry of Labour and Social Security is employing strategies to expand coverage.

**All of these initiatives that are aimed at making the growth process equitable and inclusive complement our other initiatives focused on moving Jamaicans**

**from poverty to prosperity. Increasing access to financing for all, new public and private opportunities for micro-credit, credit union reform, pension reform, small business support all provide avenues for everyone to participate in the growth prospects in Jamaica. This, Mr. Speaker, is growth with equity.**

## **5.6 SELF FINANCED PUBLIC BODIES**

Self-financed Public Bodies Public bodies as instruments of government policy contribute to the strategic development of the economy.

The planned capital programme for self financed public bodies for FY 2019/20 is projected at \$71.9 billion, an increase of 23% over the \$58.5 billion in FY 2018/19.

Combined Central Government and Public Bodies capital expenditure for 2019/20 is programmed at a record \$140 billion.

Four (4) of the entities namely the National Housing Trust, National Water Commission, Petrojam Limited, and the Port Authority of Jamaica account for 80% of the planned capital expenditure by public bodies.

### **5.6.1 National Housing Trust (NHT)**

The NHT will continue to pursue increased delivery of housing solutions. During FY 2019/20, the Trust plans 8,640 housing starts and complete 4,714. To put that in context Mr. Speaker, the 8,640 NHT housing starts for 2019/20 exceeds the total number of NHT housing starts for the entire period 2012, 2013, 2014 and 2015 combined. Toward this objective, NHT plans to spend \$39.4 billion on housing activities for the budget year.

This, Mr. Speaker, represents Economic Opportunity for All.

### **5.6.2 National Water Commission (NWC)**

The NWC will continue to pursue rehabilitation of the water and sewage infrastructure, to reduce non-revenue water and improve service. NWC's planned capital expenditure is \$7.2 billion.

### **5.6.3 Port Authority of Jamaica (PAJ)**

The Port Authority of Jamaica will spend \$4.4 billion to continue projects aimed at facilitating economic growth and development, as well as enhanced security at the ports.

### **5.6.4 Petrojam Limited**

The review of Petrojam, which is currently underway, is expected to inform decisions on the future of Petrojam. To facilitate on-going operations US\$10.4 million has been allocated to finance major maintenance works on the storage tanks at the plant.

#### 5.6.5 Privatisations and public private partnerships

The Government's privatisation efforts of public bodies will be geared towards broadening the ownership base of the Jamaican economy. We want the Jamaican people to own more of the productive assets of the economy.

To this end Mr Speaker, we will use the Jamaica Stock Exchange in our privatisation efforts. As has been announced, Wigton Windfarm is scheduled to be listed on the Jamaica Stock Exchange shortly. We expect the offer to be heavily subscribed.

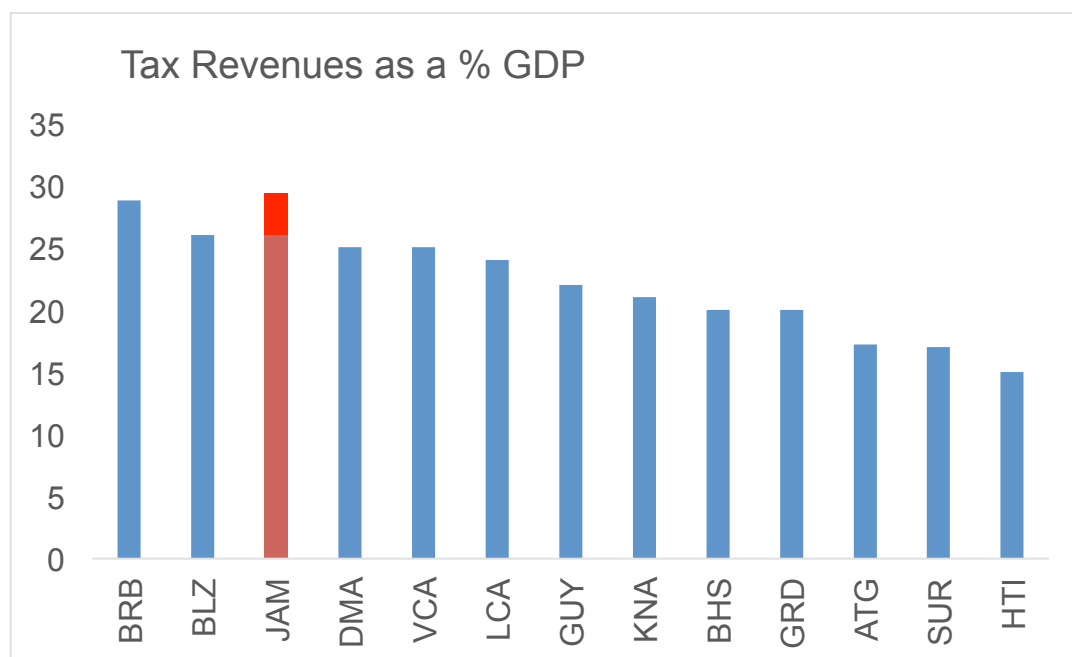
The GOJ will therefore reserve 20% of the issue for public sector employees, ensuring that they have the chance to own a piece of the first renewable energy company to list on the Jamaica Stock Exchange.

That, Mr. Speaker, represents Economic Opportunity for All.

## 6.0 REVENUE MEASURES

### 6.1 INTRODUCTION

Mr. Speaker, Jamaica has one of the highest tax ratios in the region. When statutory deductions are included Government tax revenues as a % of GDP is among the highest in our region.

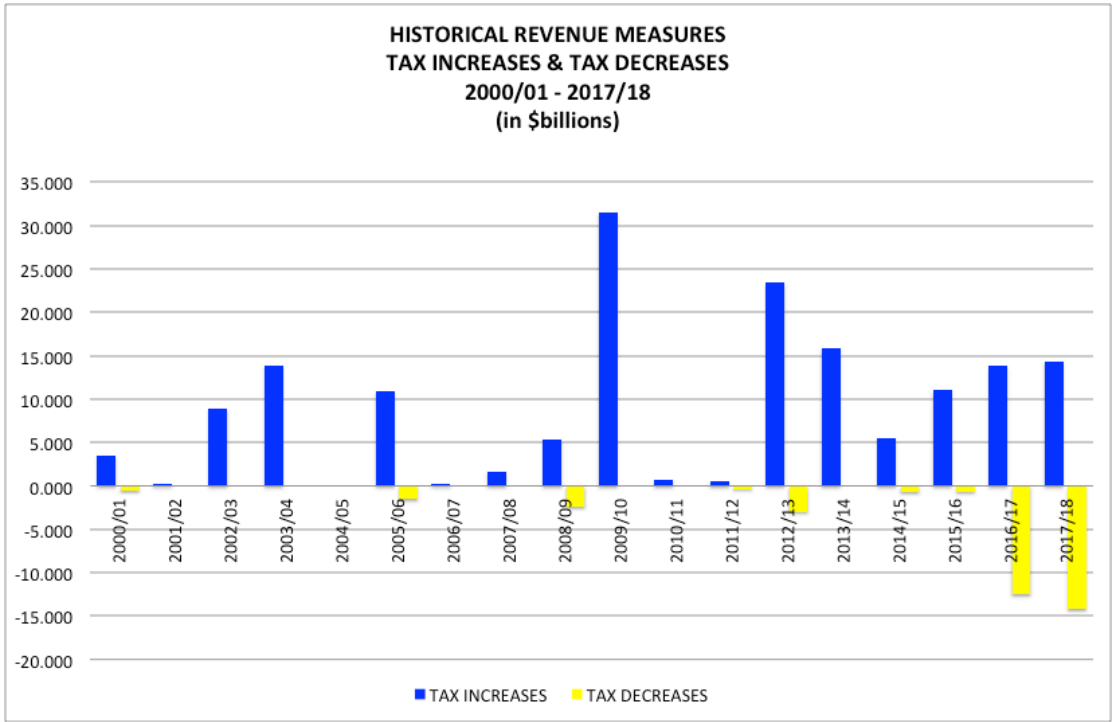


Source: IMF

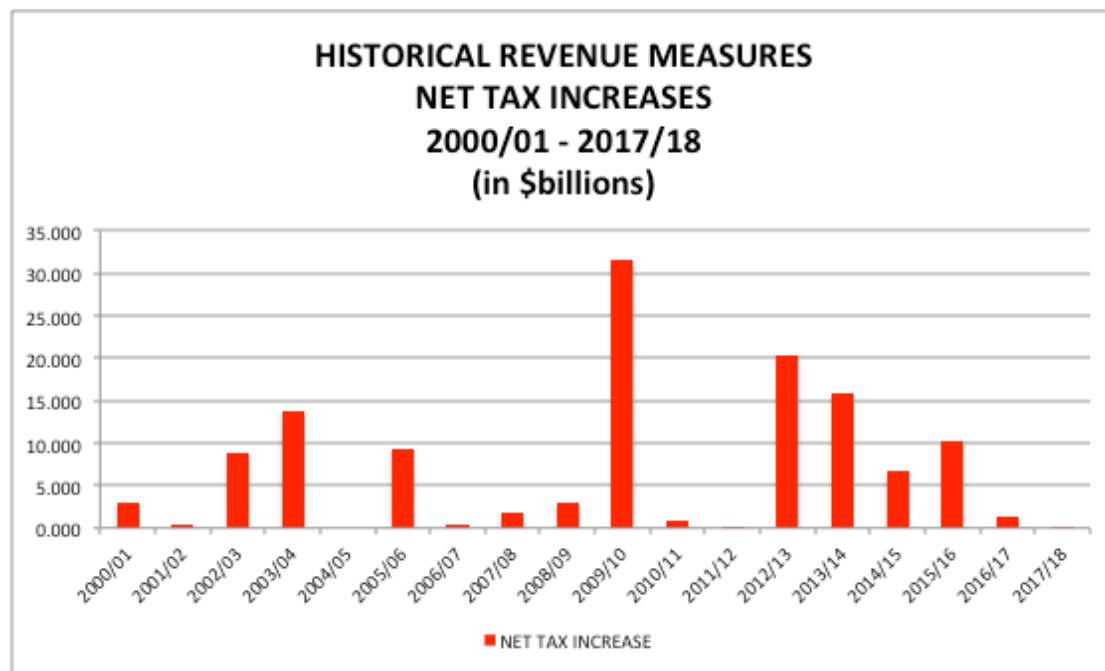
Some of this reflects the fact that we had years and years of unproductive government borrowing that did not result in real improvements in government revenue. As a result, we sought to add tax upon top of tax to pay for debt service.

Mr Speaker, since the year 2001 successive governments have levied a total of approximately \$130 billion of net new taxes on the Jamaica people. And our growth rate over this period? An annual average of 0.5%.

Over the past ten years, Mr Speaker, successive governments have levied a total of approximately \$90 billion of net new taxes on the Jamaican people. And our growth rate been over this period? An annual average of 0.2%.



Source: MOFPS



Source: MOFPS. 2017/18 includes property tax increases in computing the net overall tax increase for that year which was approximately \$0.2 billion

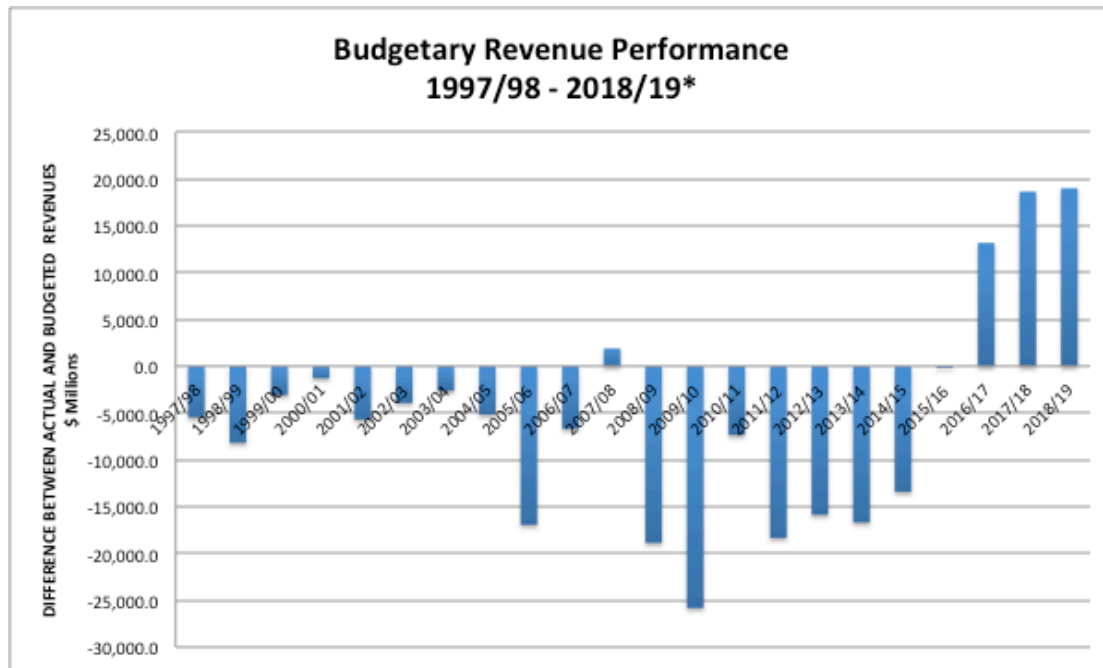
The economy does not grow at optimal levels when we are so heavily taxed.

Mr Speaker, we knew that taxes punish growth. So for decades we patched up our tax system with a slew of tax incentives which we hoped would spur growth. We had over 10 separate pieces of legislation that provided tax incentives to special interest groups.

This approach also failed. The results over 40 years speak for themselves. Four decades of flat growth - an average annual growth rate of 0.9% where per capita income stood still and high unemployment became the norm.

We found ourselves on the brink, and engaged in period of reforms over two administrations which are now bearing fruit – tax reform, incentive reform, and what the IMF described as the bold direct to indirect reform, de-earmarking, pension reform, implementing technology, strengthening audit capacity, and transfer pricing rules.

There was a time when revenues would always underperform. Over the eighteen year period from 1997/98 to 2015/16, only once did we collect the budgeted revenues.



\* Source: MOFPS. 2018/19 is based on Dec 2018 data

In the last three years, Mr Speaker, under this Administration, not only have budgeted revenues been attained, but they have been surpassed. I will remind you that in the first two of those three years the bold direct to indirect tax reform was implemented.

For three consecutive years we have seen revenue over-perform budget by the equivalent of 0.8% of GDP per year.

In this 2018/2019 financial year, we were able to use that over-performance to pay off longstanding government arrears – Local government arrears to JPS, arrears to Small and Medium sized businesses, NHF arrears to suppliers, and we have increased the payments of tax refunds outstanding to businesses.

After almost twenty years of consistent tax increases, and no new taxes last year, it is now time to give back, and it is the right thing to do.

Mr Speaker, we still have the challenge of high debt, and growth below what we want. Therefore the way we give back has to be calibrated to have a stimulative impact on growth.

As a result Mr Speaker our first priority in giving back is to phase out taxes that are most distortionary to economic activity and that cut across all sectors of the economy.

Mr. Speaker we also want to phase out distortionary taxes in a fiscally responsible way, where we remain on track to achieving our Debt to GDP target of 60% by March 2026.



For our economy to grow faster, we must have more economic activity, more persons starting businesses, more persons engaging in transactions. Government taxes that are levied without reference to profitability or value creation disincentivize small business, they encourage informality and they impede economic growth.

## **6.2 ABOLISHING THE MINIMUM BUSINESS TAX**

Mr Speaker, the Minimum Business Tax is distortionary.

The minimum business tax imposes a tax of \$60,000 a year on every company without regard to whether it is struggling or performing, whether it is a start-up or it is mature, whether it is making a loss or its making a profit.

It is an indiscriminate tax that discourages business formation and activity.

The business owner just starting their catering business, or their small farm or their cleaning business before they have even \$1 of revenue they become liable to pay the Minimum Business Tax.

That is no way to encourage small business.

The student leaving UTECH or NCU or UWI with ideas to start a business becomes liable for Minimum Business Tax on the first March after incorporation.

That is no way to encourage entrepreneurship.

You business in trouble, it was going good but you lose a contract. The government still want Minimum Business Tax.

Mr Speaker, the Minimum Business Tax is so indiscriminate that it applies whether the company is active or it is dormant.

Mr Speaker we want to encourage incorporation and we want the holding of assets in corporate form to be an attractive option. The principle of hitting dormant companies with a Minimum Business Tax works against a Jamaica that wants to grow.

For these reason, Mr. Speaker, effective April 1, we will ABOLISH the Minimum Business Tax.

This, Mr. Speaker, is Economic Opportunity for All.

## **6.3 PHASING OUT THE ASSET TAX FOR NON-FINANCIAL BUSINESSES**

Mr. Speaker if you graduate from HEART Cosmetology school and you intend to start a hairdresser business, or you go to HEART Automotive School and you want to start a garage, or you want to start a barber shop or a digital animation company, or a call centre and you get help from your aunt and you take out a loan and you start

the business with loans of \$600,000 and you use it to buy \$600,000 of assets you have to pay asset tax of \$100,000 – before you have made a single cent in profit.

That is not how we encourage entrepreneurship and innovation. The asset tax can be harsh on small business and imposes wildly different effective tax rates depending on the circumstances of that small business.

The asset tax is a distortionary tax and for that reason Mr Speaker we will ABOLISH the Asset Tax for non-financial businesses.

As I said earlier for our economy to grow faster, we must have more economic activity, more persons starting businesses, more businesses employing people, more persons engaging in transactions.

This, Mr. Speaker, is Economic Opportunity for All.

#### **6.4 RAISING THE GCT THRESHOLD**

Mr. Speaker, the General Consumption Tax (GCT) is a very important tax for the Government, making up a significant percentage of total tax revenue. It is a serious tax as non-compliance attracts punitive penalties. For this reason, it is a tax that business have to pay keen attention to, as should be the case.

Compliance with GCT, Mr Speaker, to keep appropriate records and to compile the correct returns, takes substantial resources. And Mr Speaker, many smaller businesses find the cost of compliance difficult. A small business should not have to choose between paying for a new sales person or factory worker who will generate additional revenue or devoting those resources to the GCT.

For this reason Mr. Speaker there is a threshold below which GCT does not apply. This threshold has been at \$3 million since 2009.

We want to reduce the cost of business for small and medium sized enterprises. We want to support small business. We want to encourage young people to get into business. For this reason, Mr Speaker, we will be moving the threshold for filing of GCT from \$3 million to \$10 million effective April 1.

This will mean that approximately 3,500 small businesses that currently file GCT returns will no longer be required to do so. It will also mean that Tax Administration of Jamaica will free up resources allowing them to concentrate on larger businesses and ensure their compliance.

This, Mr. Speaker, is Economic Opportunity for All.

#### **6.5 ABOLISHING AD VALOREM STAMP DUTY ON FINANCIAL TRANSACTIONS**

The Government of Jamaica currently imposes stamp duty and transfer tax on a wide variety of transactions. Some stamp duties are charged at a flat rate of \$500 or \$5,000 and others are ad valorem which means it varies according to the value of the transaction. In addition, there are a multitude of stamp duty rates for different kinds of transactions.

Stamp duties and/or transfer taxes are applicable to almost all asset transfers and the documentation that accompanies these transfers. Transfers of land, transfers of mortgages, transfers of loans, and transfers of securities all attract these taxes.

In addition giving of security for loans attracts ad valorem stamp duty, whether the security offered is inventory, land, equipment, receivables, shares or other types of assets.

The trading of shares on the Jamaica Stock Exchange and on the Junior Market is exempt from ad valorem stamp duties and transfer taxes. The reasons for this is because these taxes impede the proper and efficient function of the equity market.

Similarly, if we want markets for loans, mortgages, securities, receivables, and land to function effectively, for transaction volumes to increase, for economic and business activity to thrive which in turn provides a foundation for economic growth, the Government should not be taxing these transactions.

Mr. Speaker, interest rates have been lowered seven successive times and are at record lows today. Some banks lower at faster rates than others. Its through the competition among financial institutions on loan rates that the customer ends up with the best deal.

However the competition in the loan market is hampered due to the fact that customers incur high transaction costs to switch lenders due to the government taxes that have to be paid to give new security to the new lender.

In order to enjoy increased productivity gains from lower interest rates, increased economic and business activity from higher transaction volume, and higher rates of growth, we must reduce the burden of government transaction taxes.

- The business that has a debenture over its assets and gets a better bank offer should not have to pay the Government high stamp transaction taxes in order to accept that better offer.
- If the public sector employee who has a mortgage with a bank and who wants to take advantage of a better offer, she should not have to pay the Government high transaction taxes to accept that better offer from another lender
- The small business that goes to micro-credit firm and grants a bill of sale over its equipment to facilitate a loan should not have to pay the Government high transaction taxes in order to accept a better offer from another micro-credit firm.

- The construction company that needs to register a performance bond in order to compete for a contract should not have to pay the Government high transaction taxes in order to have this done.
- The small business that wants to assign some of its receivables to obtain financing should not have to pay a hefty sum to the government for the privilege. Receivables are the largest pool of assets held by businesses, especially small businesses. We want an environment where businesses can raise capital by pledging receivables, and having those registered but this is not feasible if the government stands in the way with high transaction taxes.
- The manufacturer that wants to increase its share capital to ensure that it has sufficient capital to fund its expansion should not have to pay the Government high transaction taxes to do so.
- The Jamaican who has been on land owned by her parents and grandparents and now wants to have that land registered so she can have a title, so she can have a piece of the rock, she can have a place within Jamaica that she own, that is recognized by the State as her own – the Government should not stand in her way with high transaction taxes.
- We want her to register the land. We want there to be a title and for her to have her name on the title. Greater formalization is in the public interest. So why discourage it with high transaction taxes?

Mr. Speaker, these stamp duties are distortionary.

These stamp duties dis-incentivize the very activities we want to encourage.

These stamp duties discourage transactions.

They discourage competition.

These stamp duties impede access to finance.

They discourage business activity.

They discourage capital formation.

They discourage formalization.

These ad valorem stamp duties are anti-growth.

The worst part Mr Speaker is that at the time in the life cycle of a company - small, medium or large - that it may be stumbling and in need of restructuring, even this restructuring is impeded by high transaction costs. High transaction costs lead to an inefficient and distorted allocation of resources and capital.

For these reasons Mr Speaker, effective April 1, we will ABOLISH distortionary ad valorem stamp duties applicable to the processes of

- Registering land
- Issuing a bond
- Assignments
- Registering a debenture
- Registering a mortgage – primary land
- Registering a mortgage – other than primary land
- Refinancing a mortgage whether the amount is the same or higher
- Discharge a mortgage
- And other stamp duties involved in the granting and perfection of other forms of securities in addition to
- Stamp duties in increasing share capital, rental/lease agreements and other transactions

And we will replace these with nominal processing fees that do not disincentivise these transactions. These fees will be [\$5,000] per transaction which, when multiplied by existing volume reflects the approximate cost of providing the stamping service.

So when you hear that interest rates are moving down and yours not moving, and some other institution offers you a better rate, phase the financial institution out – the Government will not stand in your way.

This, Mr. Speaker, is Economic Opportunity for All.

## **6.6 ABOLISHING AD VALOREM STAMP DUTY ON PROPERTY**

Mr. Speaker, this Government has firmly resolved to increase home ownership in Jamaica. We have made important progress with the most housing starts of any administration in at least two decades. NHT Housing Starts in the first two years of this administration were greater than what the previous administration completed in four years. In addition, in the upcoming financial year the NHT has plans for 8,640 more Housing Starts, more than all four years of the previous administration.

And we want to do more. How many times have you heard, Mr Speaker, of instances where the mortgage loan is available, the deposit is available, but the closing costs were not anticipated and the young couple has difficult closing or has to defer their dream of owning a home? How many Members of Parliament recognise this account in the stories of their constituents? I had the privilege of chairing the Board of NHT and know that these stories exist in abundance for NHT-financed open market purchases.

Mr Speaker, the closing transaction costs on homes often make it difficult for low income earners to purchase homes. Even if a home is 100% financed, and the

buyers' incomes can cover the debt service, coming up with the funds to finance the transaction costs is difficult for many individuals. On a \$5 million house, assuming 100% financing, at current rates, the closing government transaction costs could be over \$156,250 before legal fees

½ stamp duty @ 4%	\$100,000
½ registration fee @0.5%	\$12,500
stamp duty on mortgage @ 0.625%	\$31,250
registration fee mortgage @ 0.25%	\$12,500
TOTALFOR BUYER	\$156,250

Mr. Speaker, the high stamp duty and transfer tax on property affects mobility of labour as labour becomes less willing to move in search of employment opportunity due to the high transaction costs of switching out of an existing home and into a new one.

Mr. Speaker, high stamp duty and transfer tax on property discourages downsizing. For the retired couple on fixed income, with grown children, it does not make sense to sell their house, incur large transaction taxes, purchase a smaller unit and incur more transaction taxes. With an ageing population in a country that has suffered from stagnant growth for 40 years, with limited land availability, this does not make sense. The society benefits from a re-circulation of the housing stock to those who can maximise use of space. Our tax system should encourage, rather than discourage, being able to choose the right home for their circumstances.

High stamp duty and transfer tax on property also increases the risk to property developers. Higher the transaction costs compounds errors of judgement, and unforeseen adverse changes in business parameters. With high transaction taxes, individuals and institution are more hesitant, they wait. Mr. Speaker after 40 years of low growth we cant afford the hesitancy, we cannot afford waiting, we can't afford government induced high risk premia on property.

High transaction costs for property also has distortive impact on capital allocation in the economy. Whereas equities on the stock exchange do not attract high government transaction taxes, property purchases currently do. If we continue to do this, we create a bias towards investment in public equities over real estate, even for primary homes, which can have unintended consequences.

Mr Speaker, for this reason we will ABOLISH ad valorem Stamp Duty on properties on April 1 and replace it with a fee that approximates the value of providing the service.

Mr. Speaker, this represents Economic Opportunity for All.

## 6.7 REDUCING THE TRANSFER TAX ON PROPERTY

We strengthened property taxes in 2017, and the time has now come to reduce property transfer taxes. Like Stamp Duty, these taxes increase the cost of buying and selling property. We want to make it easier and cheaper for everyone to buy and sell property.

As such, Mr. Speaker we will reduce transfer tax on property from 5% to 2% on April 1.

Mr. Speaker, this represents Economic Opportunity for All.

## 6.8 INCREASING THE THRESHOLD ON ESTATE TRANSFER TAX ON PROPERTY

Mr. Speaker there is a lot of property tied up in the estates of those who have passed away where Jamaican families who want sell the property and use the proceeds in a straightforward way for varied economic purposes are unable to do so because of the estate transfer tax.

Successive governments have recognized this concern.

However, we need to go further. The exemption threshold was first set at \$10,000 in 1974. It was raised to \$100,000 in 2005 and has been at that level since.

Mr. Speaker, we will raise the exemption threshold on estate transfer tax from \$100,000 to \$10 million effective April 1.

This will allow for greater mobility of assets which is consistent with our drive for economic growth.

This, Mr. Speaker, is Economic Opportunity for All.

Mr. Speaker, too many Jamaicans in 2019 are still unable to afford home ownership, to own a place of their own, to build upon it, to borrow against it, and to pass it along to their children and grandchildren. The sum of these policies announced today are designed to address this problem which dates back to our foundation as a country.

## 6.9 IMPACT OF THE TAX STIMULUS

Mr. Speaker the abolishment and lowering of these distortionary transaction taxes means that the Government will forgo approximately \$14 billion.

This is the first time in decades – in living memory – that any Government of Jamaica is giving back taxes on a net basis to the Jamaican people.

And it is well overdue. After more than \$130 billion in tax increase over the last 20 years and approximately \$90 billion in tax increases over the last 10 years, and with decades of sluggish economic growth, the time is right for a tax reduction.

This is a \$14 billion tax stimulus that abolishes and lowers distortionary transaction taxes to catalyse increased transaction volume, increased business and economic activity and increased economic growth.

These measures will

- Stimulate micro business
- Stimulate small business
- Stimulate the credit market
- Stimulate the construction sector
- Stimulate the real estate market
- Stimulate formality and
- Stimulate overall economic activity.

These measures will lead to a more liquid real estate market, will support more agents, more valuers, more property transactions, more property turnover, more plumbers, more carpenters, and more masons who prepare properties for purchase and sale.

This will have second order effects for manufacturers who make household furnishings, household goods and building materials. More cement, more sand, more stone, more windows, more doors, more furniture, more economic opportunity, and, very importantly, more jobs.

This, Mr Speaker, is Economic Opportunity for All in action.

## **7.0 REDUCTION IN THE PRIMARY BALANCE TARGET**

Mr. Speaker these tax cuts are being implemented in the context of (i) continued buoyancy in tax revenues, the extent of which would not have been fully assured at the time of printing of the fiscal policy paper and (ii) by a lowering of the primary surplus target from 7% of GDP to 6.5% of GDP.

This has been arrived at in a staff level agreement with the IMF who are in Kingston for the 5<sup>th</sup> review under the Pre-cautionary Stand-By Agreement.

With respect to the continued tax revenue buoyancy, the House will be reminded that at the time of computation of the Revenue Estimates, the Second Supplementary estimates would have been the best approximation for 2018/19 outcome on which the 2019/20 Revenue Estimates were computed.

Since that time, we have had the benefit of the confirmed revenue for January and February which cumulatively show a healthy over-performance relative to the Second Supplementary Revenue Estimates of 2019/20.



More specifically, Mr Speaker, Tax Revenue performance up to February 2018 against the Second supplementary Budget has been substantially above programme, resulting in a revised forecast for fiscal year 2018/19 that indicates an expected full year performance of total revenue at \$3.7 billion more than the Second Supplementary estimates. This estimated increase in the 2018/19 revenue translates to an expected increase in 2019/20 and across the medium term.

So, Mr. Speaker, the 0.5% reduction in the primary balance target ,which approximates \$10.9 billion, along with the translation of the over-performance into FY 2019/20 and across the medium term allows us to more than adequately fund the tax reduction.

As such Mr. Speaker a revised Revenue Estimate for FY 19/20 is being tabled that takes account of both the tax buoyancy and the revenue measures. We are also providing a revised table outlining the medium term profile utilising the 6.5% primary balance target.

It is within this context that I now table Ministry Paper number 13/19 entitled “*Revenue Measures 2019/20*” as well as Revised Revenue Estimates 2019/20 for the Financial Year Ending 31<sup>st</sup> March 2020.

#### ADDENDUM

The goal of reducing distortionary transaction taxes was signalled in the Memorandum of Economic and Financial Policies (“MEFP”) as part of our policy commitments under the Pre-Cautionary Standby Agreement.

Recently, we presented to the IMF that given Jamaica’s improved debt dynamics, with the projected achievement of the 96% debt/GDP target in March 2019, a year ahead of the original March 2020 projection, we had room to bring forward the 0.5% of GDP reduction in the primary balance target to this financial year and still meet our 2026 debt target. This primary balance target reduction would ensure that we could reduce transaction taxes and at the same time increase growth-enhancing spending in citizen security, social support and PATH, as well as rural infrastructure as I highlighted earlier in my presentation.

As the Opposition would be fully aware, the lower primary surplus target could not have been announced until a staff level agreement was reached with the IMF.

## **8.0 CONCLUDING REMARKS**

Not once in the last quarter century – or more – has a Government of Jamaica returned taxes to the people.

The sacrifices of the people of Jamaica from all segments of society in putting Jamaica on the path of fiscal sustainability has to be acknowledged and appreciated.

After years and years of tax increases the time has come to return taxpayers money to the people. Importantly, however, this decision is being done in a thoughtful, responsible manner and in a way that best stimulates economic activity and promotes inclusive growth.

The reduction in the distortive transaction taxes will enable economic opportunity and job creation while the increases in social spending, the increased allocations towards micro, small and medium size business lending, improved access to finance for students and others, along with procurement, micro-credit and credit union reform promise to make the growth process inclusive.

The budget presented today is focused on three clear objectives: achieving and sustaining Economic Independence, expanding Economic Opportunity for All, and Protecting the Vulnerable in our society.

We can all agree that there have been times in our history when we have lost our focus on one or more of these critical objectives. Today, we have the historical opportunity to pursue them all.

In pursuing them all, Mr. Speaker, we are moving in the right direction. And that direction is clear: the pursuit of economic growth balanced with social equity.

Thank you, God Bless you, and may God Bless Jamaica.