

SPEECH TO LABOUR MARKET FORUM 2018

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I accepted the kind invitation to speak in my previous capacity of Ambassador of Economic Affairs but I address you this morning in my *first* public speech as Minister of Finance and the Public Service.

You will permit me, **therefore**, the latitude to stray from the topic of the morning.

THIS POST-IMF ERA HAS TO BE POSITIVELY DIFFERENT

My appointment as Minister of Finance comes after five years of continuous and successful implementation of economic reform programs with the IMF, across two political administrations, and eighteen months before the likely beginning of yet another Post-IMF era.

We have been here before. This time, however, the post-IMF era, has to be positively different.

In our program engagements with the IMF in the 1970s, the 1980s and the 1990s our exits turned out to be short-lived: we exited those programs *only* to return the following decade.

This period of IMF engagement, however, stands out as distinct from those prior periods. Jamaica has gained significantly from the steadfast implementation of fiscal, monetary and structural policy reforms across two consecutive administrations.

It has to be our ambition, therefore, that when we conclude with the IMF this time, we avoid reversal and instead manage our affairs in a thoughtful and disciplined way so that our exit from a programme relationship with the IMF is sustained over time with n o n e e d t o r e t u r n.

This must be our goal even as Jamaica, a member institution of the IMF, always retains the option to access the wealth of the IMF's technical advice capacity over the course of time.

FRAMEWORK FOR POLICYMAKING AT THE MOFPS

As we consider the journey ahead, therefore, what ought to guide economic policymaking?

After all, a variety of interests with sometimes-conflicting agendas seek to influence policy – sectoral interests, labour interests, capital interests and **even** generational interests. This is normal.

Policymaking therefore requires a balancing of these interests. But as we seek to balance interests there has to be an overarching vision that frames decision-making.

We cherish the ideals of an open society and a competitive democracy but as a *young* country we do not see these as excluding the possibility of a shared national vision of who we are together and where we are going.

Even as we pursue individual dreams, the national project must gain a fresh momentum around the goal of economic independence.

Every good institution, whether in government, academia, business, or civil society has a vision that provides the

framework for establishing priorities, making decisions, and contextualizing choices.

For the Ministry of Finance, in an Andrew Holness administration, the organizing principles are the pursuit of economic independence, the expansion of economic opportunity for all and the protection of the vulnerable.

These priorities are sometimes in conflict with each other. Pursuing one can work against the other.

As a result, the policy options to support economic expansion have to be balanced by the mandate to secure our economic independence even as the urgency of economic independence has to be moderated by the need to protect the vulnerable.

However, these priorities can be made to complement each other: Our prospects for economic independence increase with sustained expansion of the economy while protection of the vulnerable preserves the social capital required to pursue both.

In this my first speech as Minister of Finance and the Public Service, I wanted to outline the thought process and the

organizing principles that will guide policymaking at the Ministry of Finance.

But today, I will focus on the first of these and wrap up with some of the immediate initiatives which follow.

ECONOMIC INDEPENDENCE

What is economic independence and what does it mean ?

As we all know, independence, in a political sense, is the exercise of sovereignty over a territory by a people who also exercise self-governance over that territory.

The people of Jamaica earned political independence in 1962 and since that time, we, the Jamaican people have, chosen our own governments without external consultation.

Political independence, however, does not automatically mean economic independence: *a country can have political independence and be so indebted that it has no room to pursue other economic priorities outside of paying down its debt.*

And, an absence of economic independence ultimately threatens political freedoms. *When a country remains economically dependent for a long time it loses the space to address its adequately social problems – squatting, crime, low education outcomes and over time these together threaten the ability for free political expression for many people.*

Economic independence therefore refers to the ability of a country to chart its own economic path, to set well thought out economic priorities and to provide the framework, rules and environment that will allow citizens to freely pursue economic activities in a way that promotes growth and well being for all.

The more responsibly we manage our financial affairs is the more we will have the ability to put a computer lab at Pembroke Hall Primary and improve the Library at Maverly Primary and Junior High.

Achieving economic independence requires, among other things, that successive Jamaican governments manage the affairs of Jamaica so as to maintain a sustainable and credible economic path for future generations.

This does not imply that we do not borrow but instead it means we should be mindful of the long-term sustainability of public debt.

The Jamaican proverb: *A nuh one day monkey waan wife* sums it up

Translation: Things that happen today have an impact on the future. Our decisions today determine what we can have tomorrow.

As has been our experience, high levels of national debt compromise our economic independence:

- threatening our ability to sustain ourselves without external assistance,
- leading to an over-dependence on creditors and,
- and in the process, we lose flexibility and space in the setting of economic priorities.

This has been the primary economic lesson for Jamaica since independence.

One of the guiding principles in economic policy setting and decision-making, therefore, will be an evaluation of the

degree to which a policy choice enhances or detracts from our pursuit of, and prospects for, economic independence.

PUBLIC BODY RATIONALISATION AND ECONOMIC INDEPENDENCE

Jamaica finds itself today with a very large number of public bodies – approximately 190 in total, with 190 CEO'S and 190 boards of directors, which have to meet.

The complexity this introduces is simply unmanageable for a country of our size and resources.

Each of these 190 public bodies produces an annual report which finds its way through ministries, to cabinet and eventually to parliament.

Let us be honest with ourselves: the sheer number of public bodies compromises the ability for effective parliamentary oversight, reflection and review required for good governance.

Furthermore, to the extent that with thought and imagination we could do with fewer public bodies it means that we are absorbing resources in time and money that

could be deployed elsewhere making our economy more efficient.

Just for sake of comparison, Singapore with an economy **20 times the size** as Jamaica's has approximately 1/3 the number of public bodies or statutory boards that we do. They have 64

In Jamaica, In each decade we have simply created dozens of additional public bodies.

According to data published by the IMF in the first staff review of the Precautionary Stand-By facility:

in the 1950's we created 11 public bodies

in the 1960's we created 21 public bodies

in the 1970's we created another 32 public bodies

in the 1980's we created another 26 public bodies

in the 1990's we created another 31 public bodies

and after 2000 we created yet another 31 public bodies

There was, we can sure, good reason for all of these at that time.

The challenge ladies and gentleman is that as time passes, technologies, opportunities, threats and priorities change. New laws are needed and new institutions required.

But it is not economically viable to continuously add public bodies without the certain means to sustainably fund them. That, ladies and gentlemen compromises our economic independence.

To be in a position to add public bodies when necessary we must rationalize where the possibilities exist.

To put it another way: in order to be assured that the Jamaican government can innovate to provide the services required in the future we have to ensure that we create space by efficient allocation today.

Our economic independence tomorrow is best assured by our *efficient allocation* today.

So what are we doing about it?

Just a few achievements:

- In the last two years we completed two divestments – Kingston Container Terminal and Caymanas Track Limited,
- We have completed the four-way merger with HEART/Jamaica Foundation for Life Long Learning, National Youth Service and the Apprenticeship Board
- We have completed the merger of the Office of the Childrens’ Registry with the Child Development Agency
- Other mergers are underway

However, to secure our economic independence, and to create space to address emerging priorities we need to greatly accelerate the path of public bodies rationalization.

So what are we going to do about it?

We plan to review the agenda for rationalization of public bodies and over the next four to six weeks we will conclude the necessary consultations, with unions, ministries, stakeholders, towards the establishment of an accelerated timetable.

This timetable will consider all of the opportunities that are present with respect to:

- divestment of public companies that have a commercial focus but which are not necessary for government to carry out its key functions;
- merging public sector entities where they perform similar key functions, in order to achieve more effective delivery of service
- re-integrating public bodies into their parent ministries where they no longer require the status of a public entity in body corporate form to carry out their mandate

We intend to start consultations with our partners in the union movement immediately.

Once this is all approved by Cabinet we are going to set these out and put the necessary resources behind the effort.

And we will eventually integrate this timetable within our formal program with the IMF. However, we are not waiting for the IMF's next visit to do this.

The next review is in six months and we cannot wait that long.

Consistent with the approach we require for a Post-IMF era we will do what needs to be done to secure our economic independence, without prodding from anyone.

DIVESTMENTS

With respect to divestments, several public bodies of a commercial nature need billions and billions of dollars in capital investment to upgrade their products and improve service delivery to the Jamaican people.

This scale of capital investment simply cannot be provided by the government with our competing priorities in education, health and poverty alleviation and so we will invite private capital to participate and ensure broad participation in such opportunities.

Our divestment program will not be limited to public bodies themselves but will include investments made by public bodies that would better fit with the private sector.

For example, with respect to the Port Authority of Jamaica over which the Prime Minister has responsibility and for which I am the former Chairman, the economic interest held

by the Port Authority in Business Process Outsourcing Assets will be divested. This was a policy direction given to the Port Authority by the responsible minister sometime ago and the Port Authority is actively pursuing this objective.

With private capital seeking exposure to the BPO sector it makes little sense for the Government of Jamaica to hold economic interest, representing billions of dollars, in BPO assets even while Jamaica of any administration struggles to afford essential social services.

The Port Authority has played the critical role of catalyzing the industry with successful early investments that it should now profit from, repatriating the capital to Central Government for higher priority activities.

CONCLUDING REMARKS

It has always been clear that Jamaica is a land of destiny, we are a people of promise.

Achieving that promise requires safeguarding our economic future.

Our economic destiny is in our hands.

We can choose the outcome we want.

We can achieve our highest ambitions.

Our greatest dreams for ourselves and for our country can be realized.

It all begins with Economic Independence - a critical national project