

- **On 30 September 2013, the Executive Board of the IMF approved the completion of Jamaica's 1st review under the IMF's four-year Extended Arrangement which was agreed to on 01 May 2013, paving the way for a second draw-down under the programme (SDR 19.97 mn).** This approval also paves the way for the receipt of support from other multilateral development partners, including the IADB and World Bank, towards the end of this year. **Despite major challenges, the GOJ comfortably met all the quantitative conditions for the 1st review and the structural benchmarks (as well as the associated indicative commitments) were implemented in a timely manner.**
- The major challenges in the first quarter of the programme stemmed from a weaker than anticipated global and domestic economic environment. Notwithstanding, the IMF Staff in its appraisal concluded that "*overall policy implementation under the programme has been strong and structural reforms are progressing*". Of note, the primary balance and tax revenue targets were attained. At the same time the GOJ was able to meet its programmed commitments with respect to social protection expenditure. **This overall performance followed our successful completion of our own programme targets in March, and significantly follows the implementation of stringent *prior actions* earlier in the year.**
- Jamaica's creditable economic performance was also underscored by the recent upgrade by Standard & Poor's, which noted that the Jamaican economy has stabilized and expressed their expectation that the country's ambitious fiscal targets for this year will be met.
- **The Fund Staff in their Report to the Board on Jamaica's economic performance, acknowledged the GOJ's "financial discipline" and "steadfast implementation of the initial reforms".** The Government of Jamaica remains fully committed to the specific targets set out in the April 2013 Memorandum of Economic and Financial Policies (MEFP). Unlike the aborted Stand-By Arrangement, this programme involves major front-loaded

adjustments and reforms which are designed to restore growth and place debt on a firm downward path. Accordingly, and in line with normal practice, the GOJ on 13 September 2013 submitted to the Fund a second Letter of Intent and a Supplementary MEFP, in which we outlined an appreciably strengthened policy framework. These recent agreements reached with the Fund are outlined in documents which have been laid today on the Table of the House, in the form of a Ministry Paper No. 116/13 entitled *FIRST QUARTERLY REVIEW OF THE EXTENDED FUND FACILITY WITH THE INTERNATIONAL MONETARY FUND*. This is in keeping with our commitment to transparency with respect to the programme.

- **The foundation of the programme remains debt sustainability and improved competitiveness.** In the main the Supplementary MEFP elaborates on the framework for the reform of the Tax Incentives Regime and on the conceptual framework for a binding fiscal rule. With respect to tax incentives reform it sets out the principles that will guide the reform of the tax incentives system including:
 - 1) Simplification of the tariff structure; and,
 - 2) Introduction of a system of tax credits that would be applicable across all sectors and which will replace the sector specific incentives that currently exist.

The details of the tax incentives reform will be embodied in legislation that will be tabled in the House by October 31st, 2013.

- With respect to the fiscal rule the Supplementary MEFP elaborates on the conceptual framework which includes an objective **to entrench fiscal discipline beyond the programme period and secure a debt to GDP ratio of no more than 60% by fiscal year 2025/26**. As set out in the Supplementary MEFP these measures will be complemented by a range of initiatives to strengthen public financial management. **The GOJ believes that the policies set out in the MEFP of April 17, 2013, and the supplement to this MEFP, are adequate to achieve the programme's objectives.** There are, however, risks; primary of these is the conditions in the global environment which may affect our growth forecasts.
- Nevertheless, the Government of Jamaica believes, and this has been affirmed by the Fund staff, that as external conditions improve, the structural reforms begin to take hold, and investor confidence builds, real GDP growth will return on a sustained basis. We remain hopeful that we will see a return to growth starting in the 2nd quarter of the fiscal year. It should also be noted that inflation for this year, so far, has been below projections. We do however anticipate a sharp one off increase in inflation in the month of September as a result of the increases in public transportation costs. The impact of these charges on inflation, we expect to subside in subsequent months.
- We have authorized the IMF to publish the Staff Report, which includes the Letter of Intent, the Supplementary Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding. The formal review for the quarter ending September 2013 will take place in November 2013 – the dates are still to be settled with the IMF. This review is expected to go the IMF Executive Board for approval before the end of December 2013. Importantly, Mr. Speaker, I can assert with confidence that all quantitative performance criteria and structural benchmarks for the second review will also be met, and we remain on track to meet the 7.5 per cent primary balance for FY2013/14.

- We look forward to receiving the IMF team in November for the second review. After the IMF Executive Board gives the necessary approval to the review the administration intends to lay a similar Ministry paper in this Honorable House.