



*“The struggle is very real” – Justin Samuda*

## **SECTORAL DEBATE CONTRIBUTION**

**BY**

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### Preamble

Mr. Speaker, please allow me to express my appreciation for your mature and responsible management of the affairs of this Honourable House.

I would also like to express my thanks and appreciation for the efficient manner in which the Clerk, Deputy Clerk and staff of Parliament have tried to make life of Members at least more tolerable. I say that because everyone knows that the physical infrastructure here at Parliament leaves much to be desired.

The conditions under which we have to work is nothing short of disgraceful. Our facilities, the seat of our Government, must be among the worst in the entire Commonwealth. It reflects the low esteem in which we hold ourselves. After 35 years of coming here I have given up any hope of ever sitting in a Parliament building that I can be proud of. We don't even have sufficient parking or offices and have to sponge off the kindness of the JMA.

I also wish to express my appreciation, love and respect to all members of my Constituency team. Thanks particularly to my executive members who have never failed to give me great personal comfort even through the most challenging periods.

To my wife Pauline I say a very big thank you for her unrelenting commitment to the cause of bringing relief to the most vulnerable...always trying desperately to do her part in making life more comfortable for the poor and needy.

Mr. Speaker, with only 30 minutes at my disposal today let me get into the matters relating to the portfolio to which I have been assigned.

### The Logistics Hub

- Mr. Speaker, when I said three years ago that the idea of completing an Economic Zone on 7,000 acres within a three to five year timeframe was a ***pipe dream***, I meant every word and history has proven me right.
- The Government has very definitely got carried away with their own rhetoric on this Logistics Hub propaganda. Listen to what the Prime Minister said in 2013:
  - ***“...the Jamaica Logistics Hub potentially represents US\$ 9 Billion of foreign direct investments, with the prospect of generating tens of thousands of jobs in a variety of fields during the construction and operational phases...”***

- This propaganda was carefully crafted to give the impression that this level of investment was about to take place in the short term and almost suggested that the Logistic Hub was a single entity that was never thought of before.
- Thank goodness Minister Omar Davies has brought some realistic perspective to bear on the situation, especially as it relates to the **jewel** in their Logistics crown – the Goat Island Project – when speaking on the subject on February 25, 2014 he said:
  - ***“The Port is not expected to be engaged in transshipment activities for several years yet. It will require time for technical development after the signing of the implementation and concession agreements prior to the start of construction, and another period for construction, possible, to some of the existing ones”***
- Mr. Speaker, let me make it very clear, **the Opposition fully supports any sensible effort by the Government to develop our hard and soft infrastructure as a prelude to making Jamaica an attractive investment destination**. After all, we campaigned all over the world trying to sell Jamaica as the best place to invest.
- What we are opposed to and have become frustrated with, is the abject tardy and inept manner in which important development has taken place. The Government has literally wasted over three years feasting on their own rhetoric while getting precious little done in real terms.
- The Ministry charged with the responsibility of delivering new investments and growth have failed miserably in the basic management of the process assigned to it.
- Worse yet, announced policy decisions have been reversed and no measurable steps taken to put reasonable alternatives in place. The Minister of Industry has not brought new ideas to bear on the process in over three years. Most, if not all of their claimed success, has been inherited.
- Two years ago in this very house the Minister announced that:  
  
***“The Caymanas Economic Zone (CEZ) will begin construction in a matter of months, utilizing the same joint venture approach. 200 acres of lots and purpose built space will be developed, in an environment comparable to any first world Special Economic Zone. The industries earmarked for the zone include ICT, Manufacturing, Incubator, Creative Industries, Furniture, Electronics and Bio medical industries...”***

The only thing that has followed this announcement was the naming of two committees to manage and promote these projects.

- i. Dr. Vin Lawrence is to chair an Enterprise Team, and
- ii. Mrs. Pat Francis is to chair the Policy Steering Committee

Neither of whom seem to know really what is going on or they have gotten fed-up with the chatter

Then last week the Permanent Secretary advised the Public Accounts Committee, that this project as announced by the Minister has been scrapped.

Mr. Speaker, what were the terms of the proposal?

### **Scotiabank Proposal of 2011 – give Hylton the package**

#### **Features of the Proposal**

Broadly speaking it was to be collateralized by the use of some of the properties owned by Factories Corporation: The Garmex Free Zone complex

- J\$1.2 Billion long term bond proposal
- Maturity: up to 10 years
- Interest rate: (1) fixed for 5 years at 9.25, thereafter floating at WATBY + 1.25% OR (2) fixed for 2 years at 8.45%, thereafter floating at WATBY(weighted average treasury bill yield)
- The note has a 12 month delay draw feature which gives the flexibility to FCJ which is required to prevent a high carrying cost as it builds out its CAPEX programme
- Only 50 percent of the Notes is amortized thus preventing any cashflow pressure on FCJ
- 24 month moratorium on principal only

#### **Market Overview**

- “The Capital Markets are currently very liquid with investors aggressively looking for yield and diversification”
- The Government to date, has passed all the IMF tests and has received favourable reviews, though the fiscal imbalances remains a systemic risk

- The GOJ has presented a budget with several initiatives to stimulate the Capital Markets including removal of transfer tax and stamp duty on bonds, this will facilitate more trading in local bonds
- The Jamaican economy is officially out of the 3 year recession
- The list of local investors lined up to participate reads like a who is who of the local financial community”

## 2. The Foundation for Growth & Competitiveness

The Ministry of Industry Investment and Commerce has been given the awesome responsibility of managing a most important World Bank project called.

This project is valued at US\$50m and is to end in 2020.

It is designed to focus on four key areas:

Component 1: Enhancing competition in the business environment

Component 2: Facilitating strategic private investments

Component 3: Supporting SME capabilities and finance

Component 4: Learning through project implementation and M&E

- In its present state it is clear that this Ministry cannot handle a project of this size and importance.
  - For example, an essential Agency in the management of the project is the Development Bank of Jamaica. To date they have not been brought into the loop despite the fact that the project was approved in July of last year.
  - But why should we be surprised when in the Auditor General's Report of 2013/14 she stated that:
- ***“The MIIC lacks a comprehensive Risk Management Plan that would help them to better manage the risks to which the Ministry is exposed”***
- ***“The MIIC is not meeting the MSME's policy to achieve its stated objective”***
- ***“The MIIC is not conducting follow-up to ensure proper implementation of policies and adherence to guidelines.”***

- ***“...the Ministry did not carry out any significant amount of monitoring neither did they evaluate policies after implementation”***
  - ***“We found that. We were unable to ascertain the number of policies monitored over the three-year period 2011-2014 as no reports was produced. Without this evaluation process, MIIC would not be able to determine the extent to which the policies were impacting the respective sectors in accordance with the stated objectives”***
- ***The agencies under the purview of the Ministry did not produce the required annual performance reports on policy documents.***
  - This occurred despite letters of warning sent to agencies.

### **The PS's response**

**The Permanent Secretary, in addressing the PAC agreed with all of these findings and specifically stated that it was due to a lack of human and capital te resources.**

***“This has been part of the weakness of the Corporate Planning and Monitoring and Evaluation capacity”***

This Ministry is starved of funds. Investment promotion is compromised. Virtually nothing is taking place that would qualify it to be referred to as the “Growth Ministry.”

### **Conclusions/recommendations**

1. This Ministry as presently constituted cannot lead our country on a growth path
2. This is a classic indictment on its construct and ability to cope. There is too much focus on theory and talk and not enough on a businesslike and practical approach to getting things done on a timely basis
3. To make matters worse the Ministry is woefully underfunded and is incapable to even paying its rent on time
4. The Ministry had to resort to the **Performance Management & Evaluation Unit** of the Cabinet Office to complete its three year business plan and the required 15/16 Operational Plan
5. Jamaica's only chance of economical survival is to grow our Economy. The issue is to find the means by which we increase Real GDP. We will simply

have to increase our national output and our national income. If there is spare capacity in the economy then an increase in aggregate demand will cause a higher level of real GDP.

6. The lowering of interest rates will reduce the cost of borrowing and so encourage spending and investment. We presently have one of the highest spreads in interest rates in the world. We should not have a spread of more than 7%. Today it is in the order of 14%.
7. Wages are too low. Higher real wages increases disposable income and encourages consumer spending
8. Government needs to spend more on infrastructural projects. In this regard I call for a report on the balance available within the IMF CAP (3% of GDP) on public spending
9. Focus economic strategy on job creation above all else – 100K new jobs needed within the next 5 years
10. Examine spread which should not exceed 7%
11. Increase budgetary allocation to MIIC in order to enable JAMPRO to expand their reach in promoting Investments
12. Divest Factories Corporation and use money to stimulate the BPO sector
13. Accelerate the development of Caymanas Lands to local investors and/or China Harbour now that the North-South highway makes development makes it more attractive.
14. Introduce specific incentives dedicated to the creation of jobs, particularly through the Services sector
15. Reorient our focus from domestic to foreign trade by strengthening the institutional structures geared to the development and expansion of exports – including the Tourism sector
16. Retrofit empty factory spaces and convert them to skills training centres
17. Finance and strengthen the collaboration between our Embassies/Consulates and Jampro in order to facilitate a drive for FDI – New York, Panama, Trinidad & Tobago could be the start
18. Get cracking on the Naggo Head development
19. Establish a Science Academy dedicated to the enrolment of our brightest and best in the sciences at Caymanas.
20. Establish a science training fund, utilizing the recently announced “Obama initiative”

21. Establish a talent hunt program within the Primary & Secondary school system