

**OPENING BUDGET DEBATE PRESENTATION
THURSDAY, MAY 12, 2016**

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MINISTER OF FINANCE AND THE PUBLIC SERVICE**

Title: PARTNERSHIP FOR ECONOMIC GROWTH

I. INTRODUCTION

- 1) Thanks to constituents and all those persons who expressed confidence in electing this new Government (some present in the Chamber).
- 2) Thanks to technical staff – MOF, PIOJ, BOJ, STATIN, FSC, Jamaica Customs etc.
- 3) Thanks to Ministers of State
- 4) Thanks to family for support
- 5) Reiteration of commitment to sustainable economic growth – the need for all stakeholders to be on board.
- 6) Ask all to join the *Partnership for Prosperity*.

THE STATE OF THE NATION

- o Forty years of 1% GDP, almost two generations of marginal growth while the rest of the world was largely growing at much more impressive rates.
- o Our productivity as a nation has declined precipitously since the halcyon days of the 1960s, when Jamaica's annual productivity gains were among the best in the world.
- o Though himself behind bars today, Bujari Banton sang of Jamaica "opportunity is a scarce commodity".

- o And beyond opportunity, our role as commodity suppliers of raw material has dwindled, because we have failed to keep up with productivity, new technologies and economic diversification.
- o Poverty and crime continue to stalk the land. Murder, mayhem and fear oftentimes are our constant companion.
- o A Survey last year showed that 80% of our college graduates want a one-way ticket out of Jamaica.
- o One Security Guard said to me last year, “I want to leave Jamaica, I have 2 children 14 and 9, and they live in a deplorable condition, and I want a better life for them.”

Mr Speaker,

This is what Jamaica is about today, if we are to secure a better life for our people we must move sure-footedly and purposefully from poverty to prosperity.

It was Napoleon Hill, writing in his book Think and Grow Rich who said, “What the mind can conceive and believe, it will achieve.”

Mr Speaker,

The path to wealth creation therefore, is not an overnight journey, but that process begins in our minds, with our thoughts.

For far too long, as a people we have been conditioned to believe that “no better nuh deh”. That notion, if firmly riveted and constantly re-enforced by negative messaging from opportunistic quarters, only serves to perpetuate poverty of the mind.

We must therefore, resolve to start that journey from poverty to prosperity by the way we think and the way we do things.

Mr Speaker, with this introduction, the structure of my presentation today will be:

1. Review of Economy for FY 2015/16
2. Macroeconomic targets for FY 2016/17
3. Financing and Revenue Programme FY 2016/17
4. Highlights of the Expenditure Budget FY2016/17
5. Partnership for Economic Growth and Prosperity
6. Tax Reform and Worker Productivity
7. Revenue Measures
8. Conclusion.

II. REVIEW OF ECONOMY FOR FY 2015/16

I wish to reiterate, Mr. Speaker, that all quantitative targets and key structural benchmarks under the Extended Fund Facility (EFF) arrangement between the International Monetary Fund (IMF) and the Government of Jamaica for the December 2015 and March 2016 quarters are assessed to have been met.

Mr. Speaker, while the performance of the economy in Fiscal Year 2015/16 is commendable in some aspects, annual real GDP growth continues to be below 1% and the annual rate of depreciation of the exchange rate increased to 6.1 % as at 31 March 2016 compared to 5.0% at 31-March 2015.

Inflation

The good news is that inflation for FY2015/16 declined to a recent historic low of 3.0% in the context of falling world oil prices, which tempered the impact of higher prices for

agricultural commodities as a result of the negative effects of drought conditions. This outturn was well below the targeted range of 5.5% to 7.5% and the 4.0% recorded for FY2014/15.

Balance of Payments (BOP)

The current account deficit of the balance payments for FY2015/16 is estimated to have improved to the sustainable level of 2.2% of GDP from 7.1% of GDP estimated for FY2014/15, a sharper improvement than was programmed in the context of the faster than anticipated decline in oil prices.

The NIR at end-March 2016 was US\$2.4 billion compared to US\$2.0 billion at end-March 2015. This was above the target set under the EFF supported programme. Gross foreign reserves at 31 March 2016 amounted to US\$2.9 billion or 21.5 weeks of goods and services imports.

Interest Rates

Since the beginning of 2015, the BOJ has reduced interest rates on its benchmark 30-day Certificate of Deposit by 50 basis points. The Bank has also narrowed the interest rate spread between its deposit and its lending facilities by 200 basis points over that period and transitioned to auctioning its 14-day repo facility.

The benchmark 180-day Treasury Bill rate fell to 5.83% in March 2016, a decline of 117 basis points since March 2015. In the April 2016 auction, the rate also recorded a further decline to 5.82%.

Weighted average lending rates on domestic currency commercial bank loans declined by 43 basis points to 16.67% in March 2016, relative to March 2015. This measure incorporates all existing loans. At 16.67%, Mr. Speaker, interest rates are still too high. They militate against growth. We must find ways to make loan funds more affordable to businesses and consumers.

Growth Not Good Enough

The improvement in the external accounts and inflation are commendable. However, the accompanying economic growth anticipated by both Jamaica and our multilateral development partners has not yet materialized.

Mr. Speaker, in its latest overview of the Jamaican economy (March 2016) the World Bank stated: *“For decades, Jamaica has struggled with low growth, high public debt and many external shocks that further weakened the economy. Over the last 30 years, real per capita GDP increased at an average of just one percent per year, making Jamaica one of the slowest growing developing countries in the world.”*

Mr. Speaker, the Government has embarked on a concerted programme to boost growth while holding firm to the path of fiscal prudence, debt reduction and macroeconomic stability. How is this to be achieved? A new ministry has been established to focus on economic growth and job creation; a new Economic Growth Council has been formed that is charged with accelerating the implementation of new projects to achieve annual real economic growth of at least 5% within four years; economic growth ambassadors have been appointed. This is all with the goal of driving economic growth and creating meaningful jobs.

III. MACROECONOMIC TARGETS FOR FY 2016/17

Mr. Speaker, as stated in my Fiscal Responsibility Statement that was tabled in this Honourable House on April 14, the GOJ’s priority objectives for FY 2016/17 and through the medium term are to grow the economy and create meaningful jobs and in so doing to facilitate a faster and sustainable reduction of the public debt. Accordingly, the medium term fiscal and debt profiles have been developed in accordance with the

quantitative targets agreed under the Extended Fund Facility, the Macroeconomic Framework and incorporates the revenue and expenditure measures being implemented in our budget for FY 2016/17. The focus of the FY 2016/17 Budget is on adopting strategies geared toward achieving the Primary Surplus target of 7.0% of GDP, which represents the operational instrument being utilized to attain a Public Debt/GDP ratio of 96% by the end of FY 2019/20.

Our key macroeconomic assumptions upon which the FY 2016/17 Budget was cast are:

- Real GDP growth of 1.8%, up from 0.8% in 2015/16;
- Inflation rate (annual point to point) of 5.5%
- Oil price average of US\$36.90 per barrel and;
- Core imports increasing by 1.8% relative to estimates for FY 2015/16.

IV FINANCING AND REVENUE PROGRAMME FY 2016/17

Mr. Speaker, we intend to finance the \$579.9 billion Central Government expenditure budget through a mix of revenue, grants, loan resources and inflows from the PetroCaribe Development Fund.

Revenue and grant inflows for the year are estimated at \$486.6 billion and consist of:

1. Tax Revenue of \$447.4 billion
2. Non-tax Revenue of \$30.5 billion;
3. Bauxite Levy of \$2.8 billion;
4. Capital Revenue of \$0.7 billion; and
5. Grants of \$5.2 billion
6. Loan inflows which are expected from both domestic and external sources are programmed at \$89.4 billion, with \$41.9 billion to be raised in the domestic market and \$47.5 billion to come from external sources. The Government plans to issue Treasury Bills valued at \$14.0 billion and other market instruments valued at \$27.9 billion in the domestic market.

Externally, flows are expected from the multilateral institutions in the form of investment loans and budget support loans. Investment loan flows are also expected from the People's Republic of China. Total investment loans are programmed at \$17.6 billion while budget support loans of \$29.9 billion are expected.

The PetroCaribe Development Fund will also contribute to financing the FY 2016/17 budget as it is programmed to pay over to the Central Government \$14.5 billion during the year.

Mr. Speaker, I want to note that ionflows from revenue, grants, loan resources and the PetroCaribe Development Fund total \$590.6 billion, representing an additional \$10.6 billion required to fund debt due early in FY 2017/18.

V HIGHLIGHTS OF EXPENDITURE BUDGET FY 2016/17

Mr Speaker, for this fiscal year, the consolidated Gross Expenditure of the public sector is programmed at \$1.0 trillion.

Of this sum:

1. \$609.2 billion will be spent by Central Government's Ministries Departments and Agencies (MDAs), with \$580.0 billion of this to be funded from the Consolidated Fund and another \$29.2 billion through Appropriations-in-Aid generated from grants, user fees, and other miscellaneous revenues; and
2. \$415.7 billion will be spent by the Self-Financed Public Bodies;

Importantly, the consolidated Gross Expenditure of \$1.0 trillion includes approximately \$105.8 billion for capital expenditures. Of this \$58.8 billion will be spent through the Self-Financed Public Bodies and \$47.0 billion through Central Government Ministries Departments and Agencies.

Mr Speaker, the government is committed to honouring all commitments to public sector workers for which agreements are in place. In this financial year \$9.9 billion has been

provided to honour the second year of the 2015/2017 Union Agreements for wages, salaries and allowances and a provision towards payment of long outstanding settlements.

Protecting the Most Vulnerable Citizens

Mr Speaker, the government is also firmly committed to the protection of the most vulnerable members of the society and to this end we have safeguarded spending on critical social programmes which largely benefit this segment of the population. A total allocation of \$28.6 billion (approximately 1.6% of GDP) has been provided, up from \$27.1 billion in 2015/2016, to ensure that the aggregate budget allocation to these social programmes is maintained in real terms. These include PATH, youth development, the school feeding programme, poor relief, children's homes and places of safety, drugs and medical supplies for the public health system and subsidies to basic schools.

While the Public Debt component of the budget has been significantly reduced relative to the 2015/2016 Revised Estimates, the non-debt component reflects an increase of approximately 8.0%, driven largely by the growth in capital spending.

Non-Debt Capital Expenditure

Mr Speaker, I will now provide some details of how the capital budget has been allocated.

Approximately \$11.2 billion will be spent on projects falling under the new Ministry of Economic Growth and Job Creation. These include:

- a. \$7.0 billion for the Major Development Project (MIDP) to carry out works on prioritized main roads and bridges;
- b. \$830 million to the Rural Road Rehabilitation Project to continue construction of the Sour Sop Turn to Chapleton Corridor;

- c. \$850 million to the Jamaica Foundation for Competitiveness and Growth project including \$350 million for on-lending to SMEs through the Development Bank of Jamaica
- d. \$660 m for the Construction of the Offices of the Ministry of Foreign Affairs and Foreign Trade in downtown Kingston which should provide a significant boost to the redevelopment of the area;
- e. \$292.3 million to commence Phase 1 of the rehabilitation of irrigation infrastructure in the Mid-Clarendon Irrigation Area. Mr Speaker, this represents a new project.

The Ministry of Industry, Commerce Agriculture and Fisheries has been allocated \$3.5 billion of which:

- f. \$2.4 billion is for the Sugar Transformation Programme to continue work on social infrastructure projects in Sugar Dependent Areas, to support the rehabilitation of cane roads and the installation of irrigation systems in select cane growing areas; and
- g. \$465 million is for the Agricultural Competitiveness Project to, among other things, continue the development of irrigation infrastructure, to complete the new packing facility at New Forest and establish a fifth Agro Park in the New Forest/Duff House area of South Manchester.

Mr. Speaker, \$3.5 billion has been allocated to projects under the Ministry of National Security including:

- h. \$1.0 billion to support social intervention programmes in at-risk communities under the Citizens' Security and Justice Programme; and
- i. \$1.4 billion to provide additional mobility and improved telecommunications and surveillance support to the security forces.

A total of \$7.0 billion has been allocated to the Ministry of Finance and Public Service:

- j. \$2.6 billion of which will go to the Fiscal Administration Modernization Programme (FAMP) to continue work aimed at building capacity for

improved customs and inland tax collections as well as debt, treasury and budget management;

- k. \$2.0 billion will provide financing to the Port Authority of Jamaica (PAJ) to support expanded investments in the business process outsourcing sector (BPO) in Portmore and Montego Bay; and
- l. \$400 million to assist the EX-IM Bank of Jamaica in carrying out its mandate of providing credit to the productive sector;

Mr Speaker, a total of \$2.1 billion has been allocated to the Office of the Prime Minister, to support Jamaica Social Investment Fund (JSIF) managed projects that focus on community-level social and economic programmes.

The Ministry of Education has been allocated \$2.6 billion to support the ongoing transformation of the education system, the upgrading and expansion of schools. Mr Speaker, importantly funds have been allocated to commence implementation of a School Solar Project which is expected to significantly reduce the cost of electricity in schools through the use of solar energy.

Lastly, but not least Mr. Speaker, over \$6.0 billion has been allocated to the Ministry of Labour and Social Security to facilitate the continued implementation of social protection programmes including PATH, which are crucial to the welfare of the most vulnerable groups in our society.

Mr Speaker I want to highlight three (3) three public bodies infrastructure projects that will account for 72.0% of the capital expenditure of the group.

1. National Housing Trust (NHT)

Under the NHT's medium term housing programme, it is expected that 9,000 housing solutions will be completed. During this year the NHT is expected to spend \$23.6 billion on housing and other capital expenditure. The Trust will pursue the development of a

mix of houses and residential lots in 42 developments across 11 parishes and is projecting to write new mortgages totalling approximately \$16.0 billion.

2. Port Authority of Jamaica (PAJ)

The PAJ plans to expend \$10.0 billion. This will be used to finance the construction of two new Business Processing Outsourcing (BPO) facilities in Montego Bay and Portmore at a cost of \$1.9 billion as I stated before. Additionally, PAJ will pursue planned developments at Ocho Rios Cruise Terminal and Reynolds Pier as well as Montego Bay Cruise and Cargo to capitalize on increased business opportunities in container, cruise and logistics industries. These developments are expected to cost approximately \$5.3 billion.

3. National Water Commission (NWC)

The NWC will continue to work towards improvement in the supply of potable water as well as rehabilitation of sewage treatment facilities across the island. Specifically, the NWC will spend \$8.7 billion, including the following:

- i. \$3.2 billion has been earmarked for continued improvement on the Kingston Metropolitan Area Water Supply;
- ii. \$702.0 million funding under the Caribbean Regional Wastewater Management programme for the Rehabilitation of 44 waste water sewage treatment facilities; and
- iii. \$952.0 million for K-factor water supply and sewage facilities islandwide.

VI PARTNERSHIP FOR ECONOMIC GROWTH

Mr. Speaker, before presenting the details of the very important issue of tax reform, I wish to spend some time focusing on the economic growth imperative and the partnerships that are required to achieve a level of robust growth that will solidify our economy making it more resilient to external shocks and with a greater capability to provide jobs and create prosperity.

Over the last 30 years, when you average the high growth period of the 1960's and the 1980's with the slow growth periods and the declines of the 1970's, real per capita GDP increased at an average of just one percent per year, making Jamaica one of the slowest growing developing countries in the world. In fact, the GDP per Capita in Jamaica is equivalent to approximately 44 percent of the world's average. All we have been able to do as Jamaicans living in Jamaica is to drift like a rudderless ship as we watch the world go by.

Because of this slow growth environment, unemployment remains high. According to Global Data, in 2014 Jamaica was among the bottom 10 countries with the highest rate of unemployment. Mr. Speaker, as it stands now, according to STATIN, the unemployment rate in Jamaica at October 2015 was 13.5 percent. This is almost two times the world average. And the picture gets worse. The unemployment rate for youth is considerably higher at 30.3 percent and the average unemployment rate for women is double that for men; that is, 18.5 versus 9.3 percent. Incidentally, unemployment was 12.5% at October 2011, approximately 1 percentage point lower than it is now.

Mr. Speaker, only a much faster growing economy can solve this problem.

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OUR MANDATE: ECONOMIC GROWTH

Mr. Speaker, the outcome of the recent election is ratification by the Jamaican people of our belief that we can achieve shared prosperity now without squandering the important sacrifices we have made together.

Mr. Speaker, we have received a clear mandate from the Jamaican people to put growth at the forefront of our economic policy.

Placing growth as the highest priority of government is the right thing to do!

We have become so accustomed to low growth that we no longer as a society consider growth as the central basis for dealing with all the various ailments of society: crime, failing infrastructure, a weak education system, broken families and falling standards. All these, one way or another relate to the very low growth rate we have experienced for almost two generations.

The old approaches have not delivered. Over the last 40 years the average annual rate of growth is just about 1%. Other than the period of the 1960's when growth averaged 6 % per year, we have only had a few episodes of growth higher than 2% or 3%. This is simply not sufficient to raise living standards on a sustained basis.

Of course, Mr. Speaker, we must acknowledge that this persistent lack of growth and declining competitiveness and productivity, were in part spurred by our failed experiment in democratic socialism in the 1970's, and the collapse of the financial sector in the 1990's due to the mismanagement of the economy.

Financial Sector Collapse of the 1990's

Mr. Speaker, in this regard I now reiterate that the report into the collapse of the financial sector of the 1990's, commonly referred to as the FINSAC Report will be completed. This destructive financial force, which was unleashed on unprotected Jamaicans and Jamaican businesses and from which the country has still not recovered after almost two decades, that wicked force still has Jamaicans paying 20% per annum on US dollar loans while earning in depreciating Jamaican dollars. Mr. Speaker, this is like drinking salt water when you're thirsty— your thirst is never quenched. Many of those debts really cannot be repaid.

Those incredibly bad arrangements under FINSAC have all gone the wrong way, Mr. Speaker: from PROSPERITY, to POVERTY, and literally to DEATH.

Trade Deficit with Trinidad and Tobago

Mr. Speaker, not unrelated to the FINSAC crisis, a prime example of our lack of growth is our regional trading experience. In 1989, Jamaica ran a balanced trade account with CARICOM including Trinidad and Tobago. We purchased as many goods as we sold in the CARICOM market.

The most stark contrast which reveals the decline in Jamaica's productivity and export competitiveness is dramatically highlighted in the recent trade figures January 1 – April 30 of this year 2016, between Jamaica and Trinidad and Tobago.

From real time information yielded at Customs from its new Asycuda system, the figures show that while Jamaica imported some J\$13.4 billion from Trinidad and Tobago, Jamaica only exported J\$178.9 million to Trinidad and Tobago over the same period, representing a mere 1.36% of Trinidad and Tobago's exports to Jamaica.

But Mr. Speaker, when our exports to Trinidad and Tobago are further analyzed, we find that we only exported a paltry J\$23.0 million, representing 12.9% of total exports to Trinidad and Tobago in the period. The real goods produced in Jamaica and exported to Trinidad and Tobago total a measly 0.0174% of Trinidad and Tobago's total exports, of \$13.4 billion to Jamaica.

So, Mr. Speaker, apart from the J\$23.0M of real exports, we have only exported so-so "air" in these empty tanks. This paints a picture of the seriousness of our situation, which must be addressed.

Mr. Speaker, it is important that I clearly demonstrate the consequences of such low rates of growth over long periods of time. It was Albert Einstein who once called 'compounding' the most powerful force in the universe. For example, if Jamaica had kept just a 3% average growth rate over the last 25 years, our per capita GDP would be double our present per capita GDP. In other words we can become twice as wealthy as we presently are if we commit and really achieve the 5% average over the next three election cycles.

We believe that growth will not come from remedial austerity programmes but will be the result of a comprehensive and coordinated set of policies that facilitate and encourage private sector led growth.

The Stock Exchange

In our short time in office we have already taken the issue of growth head on. These actions demonstrate the kind of approaches we intend to take to increase the rates of growth in our economy. For example, I have already given instructions to maintain the Junior Stock Exchange. This platform has given access to equity capital to dozens of growing business in many sectors including manufacturing.

The Junior Stock Market has proved to be both a ray of hope and a catalyst for growth to operators of small and medium sized businesses, across the length and breadth of the island.

It is interesting to note that the recent threat to remove the tax incentives was not only a source of concern for smaller entrepreneurs and their representative umbrella organisations, but was also taken up by the Jamaica Manufacturers' Association, the Jamaica Security Dealers Association and the Private Sector Organisation of Jamaica, among others. It is rare to see such diverse groups of entrepreneurs, investors and financial service providers energized around a common cause. Clearly, many who share the interest that our Government has in the development of Jamaican business

and by extension Jamaica's economy see the same thing that we have seen, namely the real and very significant value that the Junior Market has brought to the table. It contains direct and indirect benefits for all.

Mr Speaker,

- 797 new permanent jobs have been created at these companies since they listed on the junior market.
- Prior to listing the companies generated \$243.5 million of PAYE. Having listed, they have generated \$479 million of PAYE, a 96.5% increase.
- National Insurance payments tell the same story. Prior to listing, the companies paid \$51 million of NIS. That figure is up by 120% to \$112 million as a result of the companies being listed.
- NHT contribution has jumped from \$79 million to \$148 million, an increase of 87%.
- On the GCT front, payments from these companies prior to listing were \$225 million. GCT for these listed companies totaled \$984 million, up 337%.

Mr Speaker, let me state at this point as well that we intend to continue the aggressive privatization with entities such as Caymanas Track Limited (CTL), NMIA, Jamaica Railway, selected agriculture investments including the shares in Seprod, Kingston Container Terminal (KCT) amongst others to be named shortly.

Mr. Speaker, additionally, we have already established the Ministry of Economic Growth and Job Creation. By streamlining and coordinating many agencies at the core of development we believe, we can pick up the pace of investments required to drive growth and increase employment. The Prime Minister will be elaborating on this, I am sure.

SOUTH COAST DEVELOPMENT INITIATIVE

Mr. Speaker in relation to some initiatives by the government in the partnership for economic growth, we will be pursuing a range of significant investment projects along the Southern Corridor of the island, to spur significant economic growth on the most highly populated side of Jamaica.

Among these initiatives to be implemented over the medium term include:

1. The re-opening of Alumina Partners (ALPART) for alumina production by next year
2. The development of a logistic Hub at Vernamfield in Clarendon
3. The development of the Goat Island shipping project
4. The Caymanas Economic Zone
5. The expansion of the Kingston Container Terminal
6. The expansion of the East/West Highway from May Pen to Manchester and onwards to Negril.

Pre-Investment Evaluation Fund (PIEF)

Mr. Speaker, a total of J\$130.0mn has been provided to facilitate start-up of a Pre-Investment Evaluation Fund (PIEF) to support key pre-investment actions such as feasibility assessments; process reviews; cost benefit analysis; socio-economic and environmental assessment; and other technical studies. Over the years, public investment projects have been plagued by slow rates of execution, time and cost overruns and ultimately a failure to deliver the development objectives for which they were established. This has been attributed in large measure to the quality of projects being approved for implementation. This is a new development which is aimed at improving the quality of final project design and ultimately the effectiveness and

efficiency of the Public Sector Investment Programme (PSIP) by improving the outcomes of public investment projects.

Mr. Speaker, to accelerate national growth, we have to attract new and dynamic industries and firms.

The Case of Cannabis as an Industrial Crop for the Medical Marijuana Potential

Jamaica is uniquely positioned to play a leading role in the medical marijuana industry. We must move with a sense of urgency and turn ganja which has been a negative for Jamaica into a major asset creating wealth for our country. In the United States alone the Legal marijuana market is predicted to rise from US\$6.7 Billion in 2016 to US\$21.8 Billion by 2020. Canada has built a major industry which is opening up for full legalization next year. The Dutch ministry of Health is exporting medical marijuana to Canada, Italy, Germany and the Czech Republic. Israel which is the largest recipient of United States aid has over 12,000 medical marijuana patients and is leading the world in research on medical marijuana.

This is not about smoking a spliff. This is not about walking around with 2 ounces of the weed. This is about building an industry of value-added products. This is about doing research at our universities to create medicines which can help people dealing with major illnesses such as diabetes, epilepsy, pain and many others. One simple breakthrough in any of these areas will contribute Billions of dollars to our economy. This is about turning wasted land into growing hemp products which contain no psychoactive properties (THC) and can be used for food, textiles, building materials and many other uses. We will build an industry in Jamaica where we process and manufacture value-added products and not export raw materials. This is about an opportunity for small farmers who will now earn from land which is presently sitting idle. This is about our Tourism industry where Jamaica will be positioned as the medical tourism capital for the world bringing Health and wellness to the world. Yes, people will come to Jamaica and Truly Feel Alright.

Mr. Speaker, I take note that in addition to the pioneering role of Jamaican scientists with the development of Canasol for glaucoma and Asthmasol for asthma, the University of Technology will tomorrow host a Medical Marijuana Integration Day to highlight the social, economic and job creating potential of this industry.

Jamaica cannot afford to miss this boat. Where there is no Vision the people perish so we must change our mindset and get ready for success. We must be bold while ensuring we meet all of our international obligations. In my constituency, I have already begun to lay the foundation to get our farmers ready and to establish extraction facilities to process and create value -add products.

Let us all join together and change our mindset to move our country from Poverty to Real Prosperity.

WHAT ARE SOME OF THE POLICIES TO IMPROVE PRODUCTIVITY?

Mr. Speaker, productivity improvements must encompass all elements of policy: education and training, regulation, innovation, trade, credit, taxes, social protection and industrial relations practices. All these areas must be subject to continuous reforms and improvements over a sustained period with the main objective being improving Jamaica's productivity and international competitiveness and produce robust economic growth.

Access to Credit and Financial Inclusion

An important pillar of growth is access to credit. A recent World Bank survey has indicated that less than 30% of Micro, Small and Medium Enterprises (MSMEs) in Jamaica have access to credit from the formal financial system.

In other segments of our capital markets, only about 7% of Jamaicans have mortgages with financial institutions. About 11% of individual Jamaicans have borrowed money from a financial institution, even while more than 78% of them have some form of account with these institutions. Even worse, less than 3% of Jamaicans use their account at a financial institution to receive government transfer benefits such as PATH payments, which means that they have to use more expensive cash to do their transactions. These present areas of opportunities to move these percentages higher.

A national financial inclusion strategy for Jamaica will be launched in the very near future. Financial inclusion speaks to a future where all individuals, firms, small businesses and farmers in Jamaica enjoy access to the ready use of financial products and services that are convenient to them and sustainable to the provider. The national financial inclusion strategy is expected to encompass a wide range of initiatives such as the two that I described earlier to achieve this broad objective. We are going to do this because improved financial inclusion is not only supportive of inclusive growth and therefore valuable in its own right, but also it is an important enabler of sustainable economic growth, job creation and development.

Micro Credit Legislation

At the same time, Mr. Speaker, the Government is now examining draft Bills for the regulation of credit unions and the emergence of the micro credit financial sector in Jamaica.

VII TAX REFORM / WORKER PRODUCTIVITY

In 2012, the Private Sector Working Group on Tax Reform submitted a 78- page document to the Taxation Committee of Parliament. This submission contained key considerations for Jamaica's Tax reform and summary of First Tier Reform Proposals. This document for tax reform had the signatures of the PSOJ, the MAJ, the JCC, the

JEA, MSME Alliance, Insurance Association of Jamaica, Jamaica Agro Processors Association and the Jamaica Bankers Association.

We recognize that much work has gone into studying tax reform in Jamaica and in making recommendations. We also know that under the current IMF program, there has been implementation of reforms for GCT, capital allowance, waivers & concessions, and reforms in duties at our ports as well as administration reforms to help to streamline efficiency.

Why do I cite history?

The economic situation in which Jamaica finds itself is one with extreme inequality, persistently high unemployment and GDP growth that is far below our potential and so we must continue the work on comprehensive tax reform. It is an imperative.

Why? Simply put, taxation affects what choices we make at the individual and company level and, ultimately, the rate of growth in the economy. I believe by now it is clearly understood that economic growth is the basis of increased prosperity.

So, as the Jamaica Labour Party government continues with the work of comprehensive tax reform, I want to first give credit to the Opposition for the work they did in tackling various aspects of corporate tax reform. Now, companies, if they use all the recent tax reforms available to them can reduce their effective tax rates to as low as the 15 -17% range. (We are not afraid of acknowledging something that is positive for Jamaica when the Opposition does it.)

And even as we are about to embark on a new phase of tax reform, we must signal that the march to more comprehensive tax reform will continue. In tandem with this, we are carrying out a wages and compensation review to be submitted to Cabinet by December and we are reviewing methods to encourage retention and reinvestment of corporate profits from multinational companies to ease demand pressures on the

foreign exchange market while promoting growth. A team from the International Monetary fund will come to Jamaica in July to work with the Ministry of Finance on further tax reform initiatives.

Personal Income Tax (PIT) Reform

On the recent campaign trail, we pushed the envelope. We dared to suggest that the personal income tax threshold could be increased to \$1.5 million. This captured the imagination of many.

It was none other than former Prime Minister Bruce Golding who highlighted in the Observer of March 2, 2016 that the \$1.5 million tax-free is not extravagant. He noted that the income tax threshold was \$7,500 in January 1980 and did a simple calculation and here is what he said:

“If you adjust that \$7,500 to take into account inflation since January 1980, that would today equate to \$1,362,000. So when you talk about a threshold of \$1.5 million, it is 10 per cent above what it ought to be, and what is significant as well is that everything has moved with inflation”.

“I am simply saying that when people in 2016 are getting an income tax relief of \$600,000 they’re being short-changed, because that is less than half of what it was in January 1980 in real terms,” he added.

Mr. Speaker, this was a bold commitment we made on the campaign trail at a time when many would have us believe that we the Jamaican people could not (in fact, cannot) have anything different than what we had for the last four years, that austerity is our only lot. And so when we presented our 10-point plan, which included the 1.5, it captured the imagination of many. The words “SHARED PROSPERITY” will forever be etched in the minds and hearts of Jamaicans as a reachable dream.

Mr. Speaker, many times on the campaign trail, we as politicians sometimes make promises that remain unfulfilled. In fact, the trail is littered with many such promises. Reduction in the GCT on electricity jumps to mind as one such unfulfilled promise.

Our plan to increase the threshold to \$1.5 million for those earning \$1.5 million or less was predicated on us reallocating the \$7 increase in the gas tax towards paying for this. We now know, only on getting to government and seeing the real figures, that the gas tax was simply swallowed up by the consolidated fund and therefore not available. We now understand why the then Minister of Finance said our plan would not work. He knew where the gas tax had gone.

Over the course of the last 2 months, since we took over the government, we listened to everyone and took on board the comments from all sectors regarding the 1.5.

We note that before the election on February 25th, the head of the Jamaica Civil Service Association said he liked the plan. In fact, the news reported that he suggested, “abolishing personal income tax similar to what has been done in Antigua and Barbuda.”

Mr. Grant said, “Any administration which takes office after February 25 should seriously consider this. We might not be able to go there in one swell swoop ... but this is something that will be a more progressive approach to the whole income tax issue.”

After the election, he proposed that the government abandon its plan to abolish income tax for persons earning \$1.5 million or less.

We noted both of those positions.

In his Gleaner article, renown writer Ian Boyne said, “The president of the Private Sector Organization of Jamaica (PSOJ), the likable William Mahfood, has suggested that the Government stagger the implementation of this plan, and The Gleaner has shown its anxiety over what this plan could do with the fiscal programme, indicating it would have no problem at all if the plan is abandoned totally.

We took these comments on board as well.

Vice President of the Jamaica Confederation of Trade Unions (JCTU) Helene Davis White, said the trade union movement has been proposing incremental increases in the income tax threshold to one million dollars and that while the JLP's proposal is a good one, the economic realities of the country will also have to be taken into account.

We heard you on this Mrs. Davis White.

We also took under serious advisement what the IMF had to say about the plan. They were concerned with ensuring that any plan addresses the issues of fairness, equity, transparency, non-distortion, simplicity, uniformity and that the revenue loss would be replaced by recurring revenues.

We consider the IMF's input into the design of the tax plan to be immensely important and we took on board and incorporated into the tax plan everything the IMF required.

Mr. Speaker, we, the Jamaica Labour Party- led government are quite mindful of the 7% primary surplus target and are committed to it and the other structural benchmarks. We have indicated this to our multi-lateral partners when we visited Washington in April and so whatever we do, we are mindful of this.

Mr. Speaker, this brings us now to the campaign commitment of THE \$1.5

Put simply, good tax policies promote economic growth.

Mr. Speaker, it is our job now as government to move GDP growth to a permanently higher plane. We consider a shift from direct to indirect taxes to be an obvious policy to consider and implement. In arriving at this conclusion, we availed ourselves of the plethora of research. One such paper offers the conclusion that the structure of taxation is probably more important than the level of taxation.

Mr. Speaker, we are immensely pleased to unveil the 1.5.

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Conclusion

Mr. Speaker, this new Jamaica Labour Party government is unequivocally committed to economic growth and job creation which will move the Jamaican people from poverty to prosperity.

In the drive to economic growth and job creation, this government seeks partnerships with the private sector, the churches and civil society; we seek a close partnership with the hard working Jamaicans in this country; we will continue our special partnerships with the IMF and other multilateral partners, and we will extend current bilateral partnerships with friendly nations around the world. We will work to make these partnerships foster heightened growth and job creation for the Jamaican people.

The government is committed to a comprehensive tax reform package for which we did so much work up to 2011 when we last served as a government of this country.

This comprehensive tax reform will seek to leave more money in the pockets of ordinary Jamaicans so that they have more and better choices as to how to spend their own cash.

Our top line aim is to reduce the level of taxes on individuals and businesses – especially as the economy grows from Government facilitation and increased efficiency, coupled with the partnerships this government intends to enhance and expand.

Mr. Speaker, in this drive to achieve economic growth, job creation and prosperity, we are urging and encouraging every Jamaican to become more productive in everything

that they do, try to do things better while at the same time remembering the needs of others. We need a more productive, kinder and gentler nation.

Mr. Speaker, it is the cries of these Jamaicans that we heard that led us to consider providing \$1.5M tax relief for some of the neediest workers in our society.

Mr. Speaker, we are extremely pleased that one of the first and very important measures this new government has now enacted is to grant tax relief to hard working Jamaicans. We promised a threshold benefit up to \$1.5 million and we have delivered on that commitment, Mr. Speaker. But, Mr. Speaker, we are delivering much more than we promised.

We said 118,000 people would benefit from this PAYE tax exemption measure. In fact, Mr. Speaker, 251,792 persons on the PAYE roster – and a number of thousands of other self-employed people will now benefit from the raising of the current PAYE threshold from \$592,800 to \$1 million on July 1 2016.

That same much larger number of working Jamaicans will also benefit when the threshold is raised to \$1.5 million on April 1 2017. Mr. Speaker, under this new, expanded, and exciting tax relief from this new government, many more Jamaicans will be able to participate in supporting the economic growth agenda. The government will act on its philosophy and belief that Jamaicans are much better at spending their earned money than the government, so the government should take as little direct income tax as possible.

We, Mr. Speaker, in this government have made it crystal clear with this better-than-promised tax relief benefit to a quarter million Jamaicans that we intend to move Jamaicans from poverty to prosperity!

For almost two decades, Mr. Speaker, we have been suffering from Poverty Fatigue! For us to free ourselves from this poverty fatigue we must begin with our minds. It was Bob Marley who sang the words of Marcus Garvey which said "Emancipate yourself from mental slavery none but ourselves can free our minds." That is where prosperity begins - right here in the mind.

Well, Mr. Speaker, we together must also invoke the Psalm of David and ensure that "The needy shall not always be forgotten nor the expectation of the poor shall not perish forever." Psalm 9:18

Mr. Speaker, we Jamaicans must BELIEVE that PROSPERITY is possible and achievable in Jamaica. AND WE MUST BELIEVE THAT THIS WILL BE ACHEIVED IN OUR TIME.

Mr Speaker, members of this Honourable House, may God bless you all and may God bless Jamaica Land we love.

Thank You.