

25th Annual Caribbean Actuarial Association Conference

JAMAICA'S RECENT EXPERIENCE WITH THE IMF
– *Lessons for the Caribbean*

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WHAT IS THE EVIDENCE OF THIS TRANSFORMATION FROM PERSISTENT NON-PERFORMER TO “POSTER CHILD”

Macro/Indicator	2013	2015
Debt/GDP	145%	126% <i>(120% by March 2016)</i>
CAD/GDP	9.9%	5%
NIR	US\$0.8B	\$2.2B <i>(11 wks vs 20 wks)</i>
Unemployment	16.3%	13.1% <i>(Tourism, Agriculture)</i>
Inflation	9.1%	4.1% <i>(lowest in 48 years)</i>
WB DB Rating	94	64

TO ACHIEVE THIS PERFORMANCE JAMAICA HAS MADE MASSIVE SACRIFICES

- ▶ 7.5% Primary Surplus – no other IMF Programme in the world
- ▶ 40% FX Rate depreciation to make Jamaica world competitive
- ▶ NDX – second in 3 years
- ▶ Structural reforms - taxation, fiscal rule, financial sector reform

This is indeed a remarkable achievement!

WHAT ALLOWED FOR THIS TECTONIC SHIFT?

1. Perilous state of the economy – no financing available
2. Determined effort by the GOJ to engage key stakeholders and seek a consensus
 - Unions/Government Workers
 - Financial Sector
 - Pensioners
 - Taxpaying Public
3. Interestingly this has been executed by a Government whose political philosophy is Democratic Socialism – perhaps only they could have put together the consensus required

WHAT ALLOWED FOR THIS TECTONIC SHIFT? CONT'D.

4. EPOC Institutionalised Consensus And Adds Independent Verification Of Performance

▶ How is it composed?

- ▶ Financial Sector
- ▶ Large business
- ▶ Small Business
- ▶ Agriculture
- ▶ Trade Unions
- ▶ GOJ Representatives

WHAT ALLOWED FOR THIS TECTONIC SHIFT? CONT'D

➤ How it works?

- ▶ Meets monthly for assessment of performance
- ▶ Issues and publishes a monthly 'Communique' from the Non-Government members
- ▶ Host a monthly press briefing carried on radio, television and the print media

5. Office to co-ordinate the implementation of commitments

6. Oil price reduction

- ▶ Saved Jamaica US\$700M per annum in FX
- ▶ Replaced purchasing power taken out by taxation (J\$36B)

SO, IS THIS A VIABLE ROUTE FOR OTHER COUNTRIES?

▶ **Maybe, but still a long, long way to go**

- 2020 - 96% Debt/GDP
- 2026 - 60% Debt/GDP

▶ **Risks**

- Exogenous shocks
 - Global market
 - Climatic
 - Oil prices
- Public impatience with inadequate growth and job creation
 - Elections
 - Can the social partnership which has been the foundation of success, hold up?
 - What after the 2017 IMF expiry date?

WHAT ARE THE LESSONS FOR THE CARIBBEAN – INDEED FOR ANY SMALL, OPEN NATION?

- ▶ Necessity – the sacrifices are so significant, it requires “no alternative”
- ▶ Determined Leadership – Minister of Finance
- ▶ Consensus – foundation on which structural adjustment becomes acceptable
- ▶ Transparency – to solidify consensus
- ▶ Good fortune – oil prices, Venezuela debt buy back

ANY QUESTIONS?



THANK YOU!