

1) **Introductory Remarks**

Thanks for assistance provided bilaterally and through support given at

Multilateral Institutions, esp. World Bank and IDB.

2) **Focus of Address is to provide an update of three major events**

a) **Violence and social disruptions of July 7**

b) **Terrorist attacks in US - Sept.11, 2001**

c) **Flood rains subsequent on Hurricane Michelle in November and**

**subsequent rains thereafter**

3) **Effects of these events**

a) **International**

(1) **Recession (US, Japan, Argentina)**

(2) **Demand for our exports**

(a) **Bauxite**

(b) Agriculture

(c) Travel Industry

(i) Visitor arrivals expected to be down by about 20%

for 2001/02 winter season

(ii) Impact great because of inter-sectoral linkages with

agriculture, manufacturing, entertainment and other

sectors

(3) Capital Markets

(a) Access to resources

(b) Interest rate considerations - premium

(c) Investor confidence

b) Domestic

(1) Real Sector

(a) Tourism

(1) Tourism earnings projected to be down USS300M for current fiscal year due to terrorist attacks and floods

(b) Agriculture

(c) Damage to infrastructure and additional expenditure

required for rehabilitation

(d) Foreign exchange market and foreign exchange flows -

temporary effect

(2) Affected areas involved primarily in eco-tourism and agricultural production

(3) Fiscal Impact

(a) Reduced Revenues

(b) Additional Expenditures

(4) Security Concerns

(a) Increased Costs - Insurance

(b) Increased Costs - Airports & Seaports

(c) Air Jamaica

(4) Government's response governed by four primary concerns

- a) Cushion impact on Jamaica
- b) Maintain macroeconomic stability
- c) Ensure continued provision of basic government services
- d) Maximize opportunities for recovery

5) Government's response externally

a) Assistance sought from multilateral financial institutions

(1) World Bank

(2) IDB

b) Substance of Requests

(1) Emergency Rehabilitation Loan (WB for \$75M received Dec.)

(2) Enhancing of Social Safety Net Programme (IDB \$60M, IBID  
\$40M received)

(3) Enhancement of Social Investment Fund

(4) Environmental Disaster Mitigation Programme

(5) ECLAC assistance for assessing flood damage - study completed  
assessed damage from flood rains at J\$2.5B

C)

(6) Revised SMP target (fiscal deficit increased to 4.1 % of GDP to accommodate incremental expenditure) with the purpose being

(a) . Ensure economic programme gets back on track

(b) Ensure protection of most vulnerable groups in society

(7) Rationale for loan assistance sought from IFIs - concessional rates

- to ameliorate the impact of decreased revenues from lower

economic activity

c) GOJ 20 year \$250M SEC registered bond - coupon of 11.625% - of which, \$50M to be used for general budgetary purposes for fiscal year 2001/02 and balance put aside to finance budget for 2002/03 (better than expected out-turn, effect of crime on interest rate)

d) This has positive spin-off effects to facilitate crowding in of private sector for 2001/02 and to facilitate targeted decrease in interest rates, increased budget for tourism advertising: including

major marketing campaign in traditional and non-traditional areas

e) The government recognizes that the maintaining of basic level of services in critical areas cannot be sustained solely by borrowing

f) Increased loans also being supplemented by aggressive revenue collection

6) Domestic Action

a) Assistance to tourism sector

(1) Moratorium on employers' tax obligation to provide short-term

relief including to the transport sector and in-bond trade

(2) Moratorium on debt payments to DBJ

b) Infrastructure

(1) Quick disbursement of funds to rehabilitate flood affected areas

infrastructure

c) Social Protection and human development

(1) Public works programme to ease unemployment and social

pressures (J\$ 120M)

(2) Modification of JSIF to include employment generation as an

explicit objective for project selection

7) Present State of Economy - Economic indicators pointing in right direction

a) On track for growth for both calendar (2% projected) and fiscal years -

3.4% growth estimated for calendar year to September

b) Inflation: January - November 8.4% - single digit inflation will be

achieved for sixth consecutive year

c) Interest rates back on track for downward movement following temporary

reversal to deal with adverse developments in the foreign exchange market

- d) NIR US\$ 1.83B in December - highest level ever
  
- e) Remittances show stronger performance than last year
- f) Foreign exchange market has demonstrated resilience and flexibility to  
withstand problems
  
- g) Finsac success stories continue with
  - (1) Divestment of Union Bank (now RBTT)
  
  - (2) Monetisation of notes held by NCB
  
  - (3) Divestment of NCB
  
  - (4) Only remaining item is sale of bad loan portfolio
  
- h) Improved regulatory environment
  - (1) Passage of new bills
  
  - (2) FSC
  
  - (3) Insurance
  
- i) Continued confidence by overseas investors in Jamaican economy
  
- j) Multilaterals show continued confidence
  - (1) Accept revised SMP
  
  - (2) Additional loan support
  
- k) Rating agencies have maintained grade despite adverse developments eg.  
Argentina

**8) Major challenges in context of limited fiscal resources**

- (1) debt management**
- (2) Maintain macroeconomic gains**
- (3) To tackle problems of crime and violence**

**9) Role for development partners**

**a) Fiscal - Related to Debt burden**

- (1) Budgetary support of any kind would be helpful given the limited non-discretionary resources available**
- (2) Recent debt relief from the EU and Canada is most welcome**

**b) Assist in investment in increased security for ports of entry**

**c) Assist in reducing flow of drugs into Jamaica**

**d) Assist in increasing resources to patrol Jamaican coastline**

**8) Closing Remarks**