

Telecommunications Policy Update

Development Council Meeting, 1997 September 12 to 13

Telecommunications Policy and Bill

A Telecommunications Advisory Committee has been established. It consists of public and private sector interests in the telecommunications and information systems sectors. After wide consultations, the Committee has identified and documented all the policy issues that were omitted from the existing policy document, including those pertaining to wireless telecommunications and spectrum management. See appendix 1.

The Advisory Committee will meet over the weekend of 1997 September 19 to:

- Complete the first draft of the Spectrum Management Policy; and
- Assess the new policy options being proposed and develop a position paper for my guidance and approval.

Consequent on the acceptance of the position paper a date will be set for the reconvening of the Joint Select Committee. The House has already been put on notice.



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Cellular Licences

There are three (3) applications for cellular licences - GPD, Dolphin Technologies and InfoChannel.

Draft licences have been prepared after meetings and discussions with each applicant, the OUR, the Post and Telecommunications Department and the Attorney General's Department. The draft licences were discussed with the applicants, they were circulated for revision by all the key players and their recommendations where appropriate have been reflected in the various drafts. All the final draft licences are with the Attorney General's Department.

The Attorney General's Department has been requested to advise on the following:

- Is there a specific regulation which makes reference to and from which the Minister derives authority to grant a licence and impose a fee, to establish, maintain or use a cellular network? and
- Should the Minister grant a cellular licence, what are the implications in relation to TOJ's monopoly regarding interconnection?

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The Office of Utility Regulation (OUR) has advised that they cannot recommend the granting of Local Multi-point Distribution Service (LMDS), Local Multi-point Wireless Service (LMWS) or Cellular licences, **at this time**, for the following reasons:

- The spectrum, which is both a limited and a valuable resource can only support two (2) cellular providers, and until a spectrum management policy is formulated, it would not be prudent to grant a cellular licence to anyone other than the dominant telecommunications provider, who is already providing that service; and
- A transparent, open and fair methodology for evaluating and awarding such licences to use the spectrum and the provision of the services, is not yet in place.

The Ministry of Public Utilities and Transport will have all these policies and systems in place and functional to allow the OUR to be in a position to process applications as of 1998 February 01.

While no licence has been granted to date, the Ministry has maintained constant dialogue with all applicants who have applied for licences.

Appendix 1

Issues for the Joint Select Committee, Telecommunications Bill

1. Competition in non-exclusive areas; international and domestic data services, cellular and PBX supply.
2. Amend Bill so that TOJ and other licensed telecommunications providers become “approved organisations” within the meaning of the OUR Act.
3. Amend Bill to make it clear that the licencing procedure in the OUR Act will apply to the issue of telecommunications licences in the future.
4. Amend Bill to reflect the clarified powers of the OUR to administer the “first refusal process”
5. Amend Bill to make it clear that TOJ and other providers are entitled to provide data communication services without the need for a licence.
6. Amend the Bill to provide licencing of TOJ and other cellular providers in Jamaica.
7. Amend the Bill to grant explicit authority to issue additional wireless licences for PCS.
8. Bill to allow customers the right to connect to the telephone network any PBX which meets the required technical standards.

Issues for the Joint Select Committee, Telecommunications Bill

9. Bill to include a specific interconnection regime which defines the obligations of TOJ and its competitors, in respect of, interconnection vis-a-vis data services and wireless, and explicitly establishes the powers of the OUR in this area.

CONCERNS

1 Proper monitoring of the capital investment programme to ensure that the goal of universal service is met.

2 Should investment for value added services/premium services be included into the guaranteed return on investment? BUSINESS IMPLICATIONS

3 Need for adequate balance in the investments with any bias being towards universal service. BUSINESS IMPLICATIONS

4 Are the numbers indicating that the mandate of universal service is being met from the investments?

5 Are the numbers indicating that the additional lines are for new service areas or for areas already having service?

Issues for the Joint Select Committee, Telecommunications Bill

6 Should the increase in respect of premium services/value added services be amplified to obtain the subsidy needed since the averaged Joe or Jill will not be impacted?

7 As a matter of urgency, there should be a sustained rush to increase the number of "universal" subscribers so that if and when income from international calls decline then the additional costs will not be concentrated on too few customers.

Calvin R. Gray
1997 April

51
DC 50/MFP(NDB) 6/97

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BRIEF ON THE NDB'S RESOURCE POSITION

The NDB continues to experience a very serious resource problem, despite the recently announced efforts by the Government of Jamaica to mobilize resources for the institution.

Decision to Discontinue Lending

At its meeting in March, 1997 the NDB Board of Directors took a decision to discontinue making new loan commitments. This was a direct result of the very serious resource problem which was recognised at that time.

The Director of Finance in that meeting, advised the members of the Board that following several months of deterioration the resource gap in United States currency was minus US\$12.99M and in local dollars minus J\$350.2M. This was the extent by which the Bank was over committed, consequent on the fact that all existing lines of credit were fully committed.

There were no prospects at that time, for new lines of credit from the traditional creditors (i.e. EIB, CDB, IBRD and IDB). The Bank had a loan demand or project pipeline amounting to US\$33.9M and J\$247.8M.

The combined resource needs of the institution therefore amounted to a total of US\$46.89M and J\$598.0M.

Recent Government Decisions

During the recent Budget Debate, the Government announced two significant changes in the modus operandi of the NDB. These related to -

- a) the reduction in the NDB lending rate from twenty-six percent (26%) to thirteen percent (13%) effective as of April 1, 1997 and

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- b) the decision to resume direct lending albeit to a limited extent.

These two changes have resulted in an increased demand for NDB funds and increased pressure on the Bank's Cash Flow consequent on the projected loss of interest income occasioned by the reduction in interest rates.

Efforts at Mobilizing Resources

Local Dollars

Over the past five and a half months, with the assistance of the Government of Jamaica, the Bank has been able to mobilize the amount of J\$200M with prospects for the mobilization of another J\$450M by the end of September.

Set out below are some particulars regarding the actual and projected amounts mobilized.

<u>Date</u>	<u>Source</u>	<u>Amount</u>	<u>Interest Rate</u>
March 27, 1997	NIBJ	J\$100M	23.5%
Aug. 15, 1997	MOF (via NIBJ)	J\$100M	0.0% (Capital Injection)
N/A	MOF	J\$100M*	0.0% " "
N/A	BNS Loan	J\$350M*	12.0%

		J\$650M	
		=====	

United States Dollars

There was also a recent announcement that the Government of Jamaica has been able to mobilize the amount of US\$20M in the local capital market.

Based on preliminary discussions with officials of the Ministry of Finance however the NDB is likely to be provided with US\$10M of these funds at a cost of 9.50% for a period of five years.

These high cost funds may however be utilized only for direct lending since the coupon rate of nine point five percent (9.5%) exceeds the current NDB wholesale lending rate of nine percent (9%).

We are at this time unaware of any plans or arrangements by the Ministry of Finance to mobilize additional resources for the NDB.

Current Status

As at 1997 September 10 the date of the most recent Board meeting, the resource gap in United States currency is minus US\$9.297 and in local dollars minus J\$204.524.

The projected inflows via the G.O.J capital injection (J\$100M) together with the proceeds of the BNS loan of J\$350M should address the local dollar resource gap and place the Bank in a positive resource position of J\$245.5M. This however, does not take into consideration existing current liabilities which amount to J\$98M. These relate to Company Tax of J\$55M and amounts due to NIBJ on the Billion dollar facility (J\$43M). **The net position after settling these debts would therefore be a positive resource position of J\$147.5M.**

It should be clear therefore that the Bank would still be in a marginal position given the value of the existing pipeline is of the order of J\$320M.

The projected inflows of US\$10M via the proceeds of the G.O.J US\$20M Bond Issue would just about address the current resource gap. At this time the value of the project pipeline for projects requiring foreign currency funding is of the order of approximately US\$57.0M.

Conclusion

Recent efforts by the Ministry of Finance have begun to address the resource needs of the NDB and these are appreciated. However, it must be recognised that more concerted efforts will have to be made to ensure that the situation does not ever deteriorate to the point from which we are beginning to emerge.

There also will have to be closer cooperation and collaboration between the NDB and the Ministry of Finance in designing the strategies for and terms under which additional resources will be mobilized. This is with a view to ensuring that affordable financing at reasonable terms is provided to the institution.

1997 September 10

UWI Libraries

SUMMARY OF FUNDS DISBURSED BY
THE NATIONAL DEVELOPMENT BANK OF JAMAICA
JANUARY - JUNE 1997

	1997		1996	
	J\$	US\$	J\$	US\$
Disbursement				
January - August	87,553,535	6,694,708	92,106,460	22,585,810
April - August	51,814,746	3,366,846	71,359,302	16,052,710
Total Assets				
	March 31 1997		March 31 1996	
	4,446,574,740		3,779,189,677	
No. Projects Committed				
January - June	17 projects			
	J\$58,280,021			
	US\$ 707,021			
April - August	Nil			

NATIONAL DEVELOPMENT BANK OF JAMAICA LTD

SCHEDULE OF LOANS 1997 JANUARY - AUGUST

NO	SUB-BORROWER	LOAN	AMOUNT	
		J\$	US\$	
	Nil			
	JUNE			
	Nil			
	JULY			
	Nil			
	AUGUST			
	Nil			

UWI Libraries

REQUEST FOR DIRECT LENDING

No of Projects	Sector	Amount US\$M	J\$M
9 <u>1</u> 10	Tourism	44.8	30.0
3 <u>1</u> 4	Mining	5.6	15.0
1 <u>3</u> 4	Manufacturing	1.3	64.5
-		--	
9	Other		135.5
Total 13 Projects 14 "		US\$51.7	J\$245

1997 August 07
Projects Department

NATIONAL DEVELOPMENT BANK OF JAMAICA LIMITED

RESOURCE POSITION

	<u>US\$ MILLION</u>	<u>JA\$ MILLION</u>
LOAN COMMITMENTS	178.306	1238.084
LOAN DISBURSEMENTS	* 125.799	881.205
DISBURSEMENTS M.T.D.	<u>0.121</u>	<u>5.154</u>
UNDISBURSED COMMITMENTS	52.386	351.725
DISBURSEMENTS IN PROCESS	<u>0.028</u>	<u>1.493</u>
TOTAL LOANS & OTHER COMMITMENTS	52.358	350.232
<u>CASH/BANK BALANCES</u>		
FIXED DEPOSITS	7.980	130.632
CASH	13.891	15.076
UNDRAWN BALANCES	<u>21.190</u>	<u>-</u>
TOTAL CASH/NEAR CASH	43.061	145.708
RESOURCE POSITION (B-A)	<u>(9.297)</u>	<u>(204.524)</u>

* The figure includes disbursements for the months of July and August 1997.

Prepared by :
Date :

Finance Department
September 10, 1997

NATIONAL DEVELOPMENT BANK OF JAMAICA LTD.

FUNDS POSITION AS AT AUGUST 31, 1997

EXTERNAL FUNDS US\$ 000

	CDB #4	GOJ	EIB#4	IBRD#2	NDB	TOTAL
CURRENCY	US\$	US\$	ECU'S	US\$	US\$	US\$
AMOUNT	7,000	15,000	12,000	28,000	2,250	64,250
TOTAL LINES IN US\$	7,000	15,000	14,400	28,000	2,250	66,650
SUPERVISION CHARGES	-	-	-	-	-	-
COMMITMENTS	6,090	14,752	12,252	28,000	24,824	85,918
UNUTILISED/CANCELLED	910	0	0	-	-	910
BALANCE AVAILABLE	0	248	2,148	0	(22,574)	(20,178)

NOTES

(a) UNDRAWN BALANCES AS AT AUGUST 31, 1997

	US\$	\$ MIL		
CDB#3		2,217	* Amount	Justified
CDB#4		3,050	Direct Reimb.	
EIB#3 - Ecus		-	L.C. Payments	
GOJ		-	Amount Drawn/Disb	
EIB#4		3,646	Loan Amount	
IBRD#2		12,277	Balance Undrawn	
		21,190		

(b) UNCOMMITTED BALANCES

	US\$	\$ '000	
CDB#4	910	n/a	for new commitments, being negotiated
GOJ	248		
EIB#4	2,148		
Funds available for new commitments		2,396.00	

(c) Commitments without Identified Source

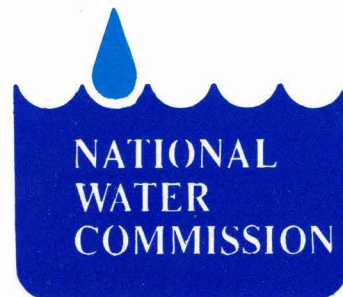
FUNDING GAP	NDB	20,178
less: short term advance NIBJ#1		(5,000) to be repaid by NDB 12/12/1997
		15,178

Prepared by : Finance Department

Date : September 10, 1997

DC 52/MPWT 4/97

SYSTEMS REHABILITATION PROGRAMME



Water is life

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EXECUTIVE SUMMARY

One of the main strategies that the National Water Commission will be undertaking in the 1997/98 fiscal year is the replacement and expansion of its pipelines islandwide. This, as the Commission seeks to address the chronic problem of worn and aged pipelines which contribute to the level of unaccounted for water and population expansion which has placed a severe strain on its existing resources rendering them in many cases inadequate.

Under the Rehabilitation and upgrading of distribution pipelines many areas will have pipelines:-

- upgraded to improve water pressure within their areas;
- expanded to address the growing population within these areas; and
- replaced to counter the constant leaks that occur due to the poor conditions of these pipelines.

65 projects have been identified under this project at a cost of \$318.8 million. The systems identified are prioritized based on consultation with Members of Parliament, Regional Managers and Engineers.

St. Catherine	10
St. Elizabeth	1
St. James	8
Trelawny	3
Westmoreland	9
St. Ann	4
St. Mary	2
Portland	2
Manchester	11
Clarendon	3
Kingston and St. Andrew	3
St. Thomas	3
Hanover	6

Once completed these projects are expected to benefit some 170,900 customers islandwide.

SYSTEMS REHABILITATION PROGRAMME

SYSTEM	PARISH	POP.	SERVICE AREA	M.P.	COMPLETION DATE	AMOUNT \$	STATUS
Appleton Spring	St. James	5,000	Appleton Spring, Orange Sign, Kirkpatrick, Rock, Pond, Sudbury, Moore	V. Neilson	Nov-97	7,000,000	Being implemented
Cambridge/Bethel Town	"	2,000	Cambridge, Shortwood, Seven Rivers, Retrieve, Bickensteth, Richmond Hill, Johnson Common	D. Kellier	Dec-97	9,000,000	Being implemented
Goodwill/Kent	"	3,000	Goodwill, Kent	V. Neilson	Oct-97	4,500,000	Completed
Third Street	"	200	Third Street	V. Neilson	Oct-97		Being implemented
Lynch Heights		200	Lynch Heights	V. Neilson	Oct-97	500,000	Being implemented
Caanan	"	200	Dip, Buck Town, Sutherland Main Rd.	V. Neilson	Oct-97	500,000	Being implemented
Tangle River	"	2,500	Tangle River	D. Kellier	Aug-1997	600,000	Completed
Rhyne Park	"	6,000	Mt. Zion	V. Neilson	Mar-98	18,000,000	Being implemented in conjunction with the developer
8 Systems		19,100	22 areas			40,600,000	
Pell River	Hanover	4,000	Pell River, Haughton Court, Dias, Friendship, Kingsvale, Cauldwell, Riverside	B. Clair	Nov-97	3,000,000	Pipes laid and pumps installed. Awaiting tank completion
Copse/Friendship	"	3,500	Copse, Friendship, Lethe, Eden	F. Tulloch	1998	14,000,000	Being redesigned to upgrade source
Bamboo		7,000	Lookout, Bamboo	F. Tulloch	Dec-97	9,000,000	Being implemented
Lookout	"	7,000	Lookout, Bamboo	F. Tulloch	Jul-97	9,000,000	Completed
4 Systems		17,500	14 areas			35,000,000	
TOTAL					Subtotal 1	75,600,000	

SYSTEMS REHABILITATION PROGRAMME

SYSTEM	PARISH	POP.	SERVICE AREA	M.P.	COMPLETION DATE	AMOUNT \$	STATUS
Samuel/Prospect	Trelawny	2,500	Samuel, Prospect, Duncan	D. Leaky	Mar-98	7,000,000	Pipes purchased
Clarks Town	"	4,000	Clarks Town	D. Leaky	Oct-97	1,500,000	Being implemented
Duansvale	"	1,500	Duansvale, New Forest Gravel Hill, Chester, Perth Town, Wilson Vale	D. Leaky	Nov-97	1,000,000	Pipes purchased, being implemented
3 Systems		8,000	10 areas			9,500,000	
Cave/Ferris Smithfield	Westmoreland "	2,500 500	Cave, Ferris Smithfield, Wharf Rd.	P.J. Patterson K. Blythe	Nov-97 Mar-98	3,500,000 1,000,000	80% completed Pipes purchased
New Milns	"		Rat Trap, Lambs River		Dec-98	14,000,000	Awaiting completion of Whitehouse, Petersville, Fustic Grove
Bullstrode	"	1500	Alma, Fullerfield, Paul Island	N. Blythe	Dec-97	2,000,000	Pipes purchased, being implemented
Bullstrode/ Blackness	"	8,000	Choro, Townshead, Nancy Pond, Blackness	T. Ruddock	Dec-97	17,000,000	Contract awarded. Being implemented
Banbury	"	500	Banbury, Bath		Mar-98	1,000,000	Pipes purchased
7 Systems		10,500	18 areas			38,500,000	
Bellefield	St. Ann	1,500	Bellefield	B. Whiteman	1998	1,500,000	Being implemented
Hopewell	"	3,000	Hopewell, Discovery Bay	B. Whiteman	1998	2,000,000	Being implemented two wells donated by Kaiser Bauxite
Farm/Bethel Town	"	2,000	Ridge, Farm Heights, Bethel Town	B. Whiteman	1998	6,000,000	Well received from Kaiser Bauxite. Engineering works to be completed
Beecher Town		500	Beecher Town	M. Bowen	Aug-97	1,000,000	0%
4 Systems		6,500	6 areas			10,500,000	
TOTAL		25,000			Subtotal 2	58,500,000	

SYSTEMS REHABILITATION PROGRAMME

SYSTEM	PARISH	POP.	SERVICE AREA	M.P.	COMPLETION DATE	AMOUNT \$	STATUS
Comsee	St. Mary	500	Comsee	H. Clarke	Apr-97	300,000	Completed
Jeffrey Town	St. Mary	1,000	Jeffrey Town	H. Douglas	Mar-98	10,000,000	50% completed
2 Systems		1,500	2 areas			10,300,000	
Grants Level	Portland	30,000	Pt. Antonio	S. Lawrence	Dec-97	1,500,000	Phase 1 completed
Norwich	"	2,000	Norwich, Burlington	S. Lawrence	1998	1,800,000	M.P. request hold on project
2 Systems		32,000	3 areas			3,300,000	
Pepper No. 2	Manchester	10,000	Mandeville	D. Rochester	Aug-92	5,000,000	Completed
Malvern	St. Elizabeth	2,000	Scholfield, Malvern	D. Rochester	Mar-98	15,000,000	Engineer work being done
Spur Tree	Manchester	750	Spur Tree, Eslington	D. Peart	Mar-98	4,000,000	Pipes purchased
2 Systems		12,750	5 areas			24,000,000	
Jackass Pass	Manchester	200	Jackass Hill	D. Peart	Dec-97	500,000	Pipes delivered. Being implemented
Kingsland	Manchester	500	Kingsland	D. Peart	1998	4,000,000	Pipes purchased
Halifax	"	1,700	Halifax, Devon	A. Shaw	May-97	5,000,000	Completed
Chudleigh	"	1,500	Chudleigh, Waldeston	A Shaw	1998	4,000,000	Awaiting funding
Moravia	"	5,000	Moravia, Christiana	A Shaw	1998	14,000,000	Awaiting funding
Motherflow	"	400	Robins Hall, Craig Head	A Shaw	1998	1,200,000	Being implemented
Spring Ground	"	400	Spring Ground, Richmond	A Shaw	1998	14,000,000	Awaiting funding
Sweden	"	400	Sweden Street	J. Junor	Dec-98	1,000,000	Scheduled to start October 15, 1997
Coffee Grove	"	750	Coffee Grove, Porus	J. Junor	Mar-98	5,000,000	Pipes purchased
9 Systems		10,850	16 areas			48,700,000	
Mineral Heights	Clarendon		Mineral Heights	A. Ramtalie	Jun-98	3,500,000	Being implemented
Bushy Park	"		May Pen		Dec-98	7,000,000	Awaiting funding
Woodside	Clarendon	1,500	Woodside	M. Henry	Apr-97	500,000	Completed
TOTAL		58,600				11,000,000	

Subtotal 3

97,300,000

SYSTEMS REHABILITATION PROGRAMME

SYSTEM	PARISH	POP.	SERVICE AREA	M.P.	COMPLETION DATE	AMOUNT \$	STATUS
Rock Hall/Barnett	St. Catherine	1,500	Barnett, Retirement	K. D. Knight	Dec-97	4,000,000	Being implemented
York Street	"	2,000	York Street, Treadway	R. Pickersgill	Apr-97	2,000,000	Completed
Guys Hill	St. Catherine	4,000	Guys Hill, Decoy, Benbow, Ragsville, Devils Race Course	P. Mitchell	Aug-97	250,000	Completed
Old Mt. Diablo	St. Catherine	2,000	Old Mt. Diablo, Wallace	R. Pickersgill	Dec-97	2,200,000	Being implemented
Berwick	"	1,000	Berwick	P. Mitchell	Aug-97	500,000	90% completed
Berwick/Crawle	"	1,500	Crawle	K.D. Knight	Dec-97	1,000,000	Completed
Deeside	"	3,000	Deeside	R. Pickersgill	Apr-97	2,000,000	Completed
John Groin	"	11,000	John Groin	R. Pickersgill	Dec-97	17,000,000	Being implemented
9 Systems		26,000	15 areas			28,950,000	
Jarrett Lane	Kingston	1,000	Jarrett Lane	P. Phillips	Apr-97	700,000	Completed
Sandy Park	Kingston	1,500	Sandy Park	K. Robertson	Apr-97	1,000,000	90% completed
Seaview	Kingston	10,000	Stony Hill, Jacks Hill, Tavistock, Mt. Ogle, Golden Spring, Temple Hall, Sherbourne Heights	O. T. Williams	Mar-98	1,000,000	Being implemented
3 Systems		12,500	9 areas			2,700,000	
Port Morant	St. Thomas	2,000	Port Morant/Bowden			7,000,000	Pipes purchased. Being implemented
Johns Town	St. Thomas	200	Johns Town	F. Ferguson	1998	3,000,000	Awaiting completion of Port Morant
Needham Pen	St. Thomas	250	Needham Pen	F. Ferguson	1998	4,000,000	Awaiting completion of Port Morant
3 Systems		2,450	2 areas			14,000,000	
TOTAL					Subtotal 4	45,650,000	

SYSTEMS REHABILITATION PROGRAMME

SYSTEM	PARISH	POP.	SERVICE AREA	M.P.	COMPLETION DATE	AMOUNT \$	STATUS
Whitehouse	Westmoreland	2,500	Whitehouse, Gordon Towns environs	P. J. Patterson	Dec-97	9,000,000	Pipes on site. Project expected to start 22-Sep-97
1 System		2,500	2 areas			9,000,000	
Petersville	Westmoreland	1,750	Petersville, Kingsville, Longhill	"	Dec-97	2,500,000	Engineers work completed. Commencement date is September 22, 1997
1 System		1,750	3 areas			2,500,000	
Fustic Grove	Westmoreland	500	Fustic Grove	"	Dec-97	800,000	50% completed
Dias	Hanover		Dias/Blenheim		Mar-98	4,500,000	Phase 1 completed, Phase 2 being
2 Systems		500	5 areas			5,300,000	
Great River/ Hopewell	Hanover	5,000	Hopewell/Sandy Bay	F. Tulloch	Jun-97	2,000,000	Completed
Congrieve Park	St. Catherine		Portmore Breaton	F. Jackson	Nov-97	18,000,000	Pipeline 90% complete. Pumps procured.
Dunbeholding	St. Catherine		"	P. Robertson	Dec-97	5,000,000	Pipes purchased. Pumps on order.
						25,000,000	
TOTAL					Subtotal 5	41,800,000	

GRAND TOTAL 318,850,000

SYSTEM REHABILITATION STATUS - PUMPS

	NWC	PAHO	TOTAL
Orders Received Complete	57	3	60
Orders Received Incomplete	5		5
Work in progress	8		8
Work Completed	16		16
Equipment as Spare	2		2

REHABILITATION PROCUREMENT STATUS - PUMPS

Total Specifications	220
No. Of Specifications Completed	156
No. Of Specifications Incomplete	64
No. Of Equipment Awaiting Delivery	24
No. Of Equipment Evaluated	121
No. Of Tenders Evaluated	143

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
Amity Hall								
Augmentation #1 **	* - 1	* - 1						(1) On approved list as Bybrook #1 for Southern.
Augmentation #2 **	* - 1	* - 1						(1) To check specs.
Augmentation #3 **	* - 1	* - 1						(1) To check specs.
Augmentation #4 **	* - 1	* - 1						(1) To check specs.
Barking Lodge								
Barnett Wood	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) TDH low for Barnett Wood. (3) Installed at Bogue, St. James. (4) To reorder.
Bath	* - 1							(1) On approved list.
Beverly Hills Relift	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) At Specialised Maintenance.
Beverly Hills Well	* - 1							(1) On approved list.
Brentwood	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Tender evaluation completed.
Bucky Plain	* - 1	* - 1	* - 1	* - 1	* - 1	* - 0		(1) On approved list. (2) Engine received
Camp Well	* - 1	* - 1						(1) On approved list.
Camp Well Booster								
Castle James								
Cavaliers	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Tender evaluations completed.
Cavaliers								
Cedar Valley								
Chancery Hall								
Constant Spring F.p.	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Tender evaluations completed.
Constant Spring/ Norbrook								(1) Check if same as Constant Spring Relift. (2) Constant Spring Relift expected on 30/7/97.
Content Gap Relift								
Cookhamdene Booster								
Duckenfield	* - 1	* - 1						(1) On approved list.
Easington/albion Hgt	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
East Albion	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list as Albion East. (2) Recently submitted specifications file.
Ferry Hills Booster								
Flamstead #2	* - 1	* - 1	* - 1	* - 1	* - 1	* - 0		(1) On approved list (2) Engine received
Font Hill/cross Rds.								
Forest Hills Relift	* - 2	* - 2	* - 2	* - 2	* - 2			(1) On approved list. (2) Tender evaluations completed. (3) 2-VLT & 2-VTP to arrive; CHECK; duplicate.

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
Forest Hills Well	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) Installed at Station.
Golden Valley								
Hall's Delight								
Halls Green	* - 2	* - 2	* - 2	* - 2	* - 2	* - 2	* - 1	(1) On approved list. (2) Recently submitted specifications file.
Lampstead								
Laven Mead	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file.
Lavendale #2	* - 1	* - 1	* - 1					(1) On approved list.
Lighberry Crescent								
Lope Filter Plant	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Tender evaluations completed.
Lope High Level	* - 1	* - 1						
Lope Relift (pastures)	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file.
Lydra Drive								
Maac Hole	* - 1	* - 1	* - 1	* - 1	* - 1	* - 0		(1) On approved list. (2) Engine received.
King Weston	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list (2) Recently submitted specifications file.
Kings House Booster								
Kirkland	* - 2	* - 2	* - 2	* - 2	* - 2	* - 2	* - 2	(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
Lime Tree	* - 1	* - 1	* - 1	* - 1	* - 1	* - 0		(1) On approved list. (2) Engine received.
Landwey/cocoa Walk	* - 1	* - 1	* - 1					(1) On approved list as Cocoa Walk/Headway.
Lahoney								
Mcgowan Spring	* - 1	* - 1	* - 1					(1) On approved list.
Montgomery Comer								
Needham Pen	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Nutts River	* - 1	* - 1	* - 1					(1) On approved list.
Oramphret	* - 1							(1) Specs. submitted to B. Davis
Port Morant								
Port Royal								
Prospect								
Test Haven	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list.
Tio Cobre Well "f"	* - 1	* - 1						
Tio Cobre Well "h"								
Tio Cobre Well "w"								
Rock Hall #1								
South Haven	* - 1	* - 1						(1) On approved list.
Springfield								

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
Springfield Relift								
French Town	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file. (3) To be bought by PAHO.
White Horses								
White Marl # 3								
Wilmington								
Subtotal 73	41	38	29	25	25	15	6	
Region: NORTHERN								
Annotto Bay								
Bonham Spring	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) Equipment given to Western Region: Ironshore Plant
Breadnut Hill	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list.
Brown's Town								
Charles Town								
Claremont	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file.
Discovery Bay	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file. (3) Same as Lagoon.
Grants Level	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file.
Hamilton Mtn.	* - 1	* - 1	* - 1	* - 1				(1) On approved list. (2) Recently submitted specifications file.
terboreale	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Kensington	* - 1	* - 1						(1) On approved list.
Kildare	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Recently submitted specifications file.
New Ground/lime Hall	* - 1	* - 1	* - 1	* - 1				(1) On approved list. (2) Recently submitted specifications file.
Norwood	* - 1	* - 1						(1) On approved list for Western. (2) Recently submitted specifications file.
Rose Street	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Pump delivered to region.
Trinity								
Windsor Castle	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list.
Windsor Forest								
Subtotal 18	13	13	11	11	9	5	0	
Region: SOUTHERN								
Cocoa Ridge	* - 1	* - 1	* - 1	* - 1				(1) On approved list.
Congrieve Park #1	* - 1	* - 1	* - 1	* - 1	* - 1			
Dinthill	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) Not on approved list. (1) Installed at Station.
Edgewater #1 Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Ensom City #2 Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
Ensom City #3 Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Ensom City Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Ewarton	* - 2	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
Frazer Content	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Installed at Station.
Glengoffe	* - 1	* - 1						(1) On approved list.
Goldmine	* - 1	* - 1	* - 1	* - 1				(1) On approved list.
Government Park #1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) Specifications provided by Technical Services.
Graham's Well	* - 1	* - 1						(1) On approved list.
Jericho	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list as Orangefield. (2) Jericho.Wpd is a recently submitted specifications file.
Johnson Pen	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Johnspen.Wpd is a recently submitted specifications file. (3) Tender evaluation completed. (4) At Specialised Maintenance.
Keystone	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed. (4) Installed.
Knollis Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Lime Tree	* - 1	* - 1	* - 1	* - 1	* - 1			(1) To check with Purchasing.
Lime Tree Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Mount Rosser	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Tender evaluations completed.
Nutshell	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Nutshell.Wpd, Nutswite.Wpd & Specnuts.Wpd are recently submitted specifications file. (3) Tender evaluation completed. (4) 1- HRSC pump arrived. (5) Region to install pump & motor.
Passagefort #1 Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Patton Park	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list.
Richard Hall	* - 1	* - 1	* - 1					(1) On approved list.
Rue River								
Sunnyside	* - 1	* - 1	* - 1					(1) On approved list. (2) Sunny.Wpd is a recently submitted specifications file. (3) Tender evaluations completed.
Tawes Pen Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list.

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
								(2) Recently submitted specifications file.
Fulloch Springs	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Specs. submitted by P. Fletcher.
Twickenham Park Wwp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Villa Nova Lift Wwtp	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Waterloo	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) Recently submitted specifications file. (3) To confirm if installed.
West Bay "a"	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Recently submitted specifications file.
Subtotal	32	31	29	27	25	22	6	
Region: WESTERN								
Appleton Spring	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Tender evaluations completed. (3) Installed by region.
Bandon	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list. (2) Tender evaluations completed. (3) C.E.C.L. to deliver.
Barneyside	* - 1							(1) On approved list.
Barrett Town								
Bath Mountain								
Bellfield								
Belmont	* - 1							(1) Specs. submitted. (2) C.E.C.L. to purchase.
Bloody Bay	* - 1	* - 1	* - 1	* - 1				
Bogue Hill	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file.
Bounty Hall	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
Cambridge	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
Canaan/charity	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed.
Chester								
Clark's Town #3	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) Used at Parnassus. (3) At Specialised Maintenance.
Copse Booster								
Dan Trout								
Dornoch	* - 2	* - 2	* - 2	* - 2				(1) On approved list.
Duanvale	* - 1	* - 1	* - 1					(1) On approved list. (2) Ordered 50HP, 220V, 50Hz, 6", 2950 rpm, Submersible Motor.
Ducketts	* - 1	* - 1	* - 1					(1) On approved list.

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
								(2) Recently submitted specifications file. (3) Tender evaluations completed.
deavour	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) On approved list. (2) Endeavor.Wpd is a recently submitted specifications file. (3) Tender evaluations completed. (4) To be installed by CECL.
ingdon								
mouth Gardens S/s								
m Hgts/bottom Pen	* - 1	* - 1						(1) On approved list. (2) Recently submitted specifications file.
eman's Hall	* - 1	* - 1	* - 1	* - 1				(1) Not on approved list.
endship	* - 1	* - 1						(1) Specs. submitted.
een Town	* - 1	* - 1	* - 1	* - 1				
gue	* - 1	* - 1	* - 1	* - 1				(1) On approved list.
tfield	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list.
in North								(1) C.E.C.L.
in South								
usalem Mountain	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list as Jerusalem.
adal	* - 1	* - 1	* - 1	* - 1	* - 1			(1) On approved list.
gwood	* - 1	* - 1	* - 1					(1) On approved list.
foota	* - 1	* - 1	* - 1	* - 1	* - 1			
loom Heights								
rtha Brae (new)	* - 1	* - 1	* - 1	* - 1	* - 1			
rtha Brae (old)								
quarrie	* - 1	* - 1	* - 1					(1) On approved list.
unt Carey	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1		(1) Not on approved list. (2) At Specialised Maintenance.
y Hall	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file.
v Milns	* - 1	* - 1	* - 1					(1) On approved list.
pariel	* - 1	* - 1	* - 1					(1) On approved list.
.Hope	* - 1	* - 1						(1) On approved list.
.River	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) Not on approved list. (2) Recently submitted specifications file. (3) Installed at Station.
u								
rsfield	* - 1							
en Of Spain #1								
en Of Spain #4								
nble Hill								
ring River	* - 1							(1) To resubmit specs.
sk	* - 1	* - 1						(1) On approved list.
sk Pleasant	* - 1	* - 1						(1) To check specs.

Pumping Equipment Procurement Status

Facility	Specification Submitted	Tendered	Tender Evaluated	P/O for Approval	P/O with Supplier	Equipment Received	Equipment Installed	Comments
Roehampton	* - 1	* - 1	* - 1	* - 1				
Salt Spring	* - 2	* - 1						(1) On approved list. (2) Recently submitted specifications file. (3) C.E.C.L. for #1. (4) Tender submitted for #2.
Sandy Bay								
Sherrwood								
Spring Garden	* - 1	* - 1	* - 1					(1) On approved list. (2) Recently submitted specifications file.
Stangle River	* - 1	* - 1	* - 1	* - 1				
Terminal Booster	* - 1	* - 1						(1) On approved list. (2) Recently submitted specifications file.
Troy	* - 1	* - 1	* - 1					(1) On approved list.
Walter Spring	* - 1	* - 1	* - 1	* - 1				(1) Not on approved list.
Varsop	* - 1	* - 1	* - 1	* - 1				
Whithorn	* - 1	* - 1						(1) On approved list. (2) Used pump from Newton. (3) To cancel.
Williamsfield	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	* - 1	(1) On approved list. (2) Recently submitted specifications file. (3) Tender evaluations completed. (4) Region to install pump.
Wilson Run	* - 1	* - 1	* - 1	* - 1				
Subtotal	67	49	44	36	23	12	6	3
TOTAL	220	156	143	121	101	86	58	16

DC 53/OPM 22/97

AN APPROACH TO THE MARKETING OF THE NATIONAL INDUSTRIAL POLICY

BACKGROUND

Pre and post launch efforts to market the NIP were met with less than desirable results although its introduction was met with favourable response.

The perceived hiatus in the plan's implementation has had a negative effect on the type of excitement which is required to ensure its universal acceptance.

This time around, with the plan's initial achievement of economic stability and the successes outlined in its first year report, there is increased chances of a successful marketing effort.

ESSENTIALS FOR SUCCESS

- A complete embrace of the policy by the entire political directorate.
 - An almost evangelical approach to the selling of the policy to the Jamaican people.
 - Production of communications materials especially tailored to each of the publics to which the policy is to be presented.
 - The communications programme to establish in practical terms the relationship between the policy and the future well-being of each individual.
 - The ready availability of timely information about all aspects of the policy's implementation.
- ✓

THE PROCESS

TWO ASPECTS

A) INTERNAL

INCLUDES.

- Political directorate
- Civil service
- Statutory agencies

b) EXTERNAL

SPECIAL PUBLICS

INCLUDE

- Captains of industry and commerce
- Professional groups
- Business owners
- Business managers
- Workers
- The general public

HOW

The marketing programme will require concentrated and continuous effort. Accordingly, it is recommended that the Secretariat be provided with a full-time Communications Officer to undertake a comprehensive programme.

This officer will need to devote considerable time and creative effort to compile all the relevant information about the plan for dissemination to the various publics identified above.

The officer will also need to work with existing government and private sector news and communications organisations, in implementing imaginative and creative strategies to publicize the policy and motivate actions in its support.

UWI Libraries

JAMPRO'S INVESTMENT AND TRADE PROMOTION STRATEGIES

ACTION REQUIRED OF GOVERNMENT MINISTRIES/AGENCIES

1. Jamaica Inc. Strategy

Support for and involvement in the development and implementation of the Jamaica. Inc. concept as a national marketing strategy.

J.I.S.
J.T.B.
O.P.M.

2. Telecommunication

- i. Finalize Draft Policy on Telecom particularly with respect to inter-connectivity, wireless tele-communications and value-added services to allow for more competition and efficiency.
- ii. Expedite approval for Telecom (e.g. VSAT) licences to 6 weeks. Currently takes 3-6 months.

MPUT
Select
Committee of
Cabinet

MPUT
(Post &
Telecom)

3. Funding for Informatics Park

J\$178 million needed to be raised to finance the Portmore Informatics Park which will act as a national entry point for the development of a vibrant Informatics sector which will have strategic linkages with the wider economy. Strategic areas include Education, Health, Financial sector.

MPUT
MIIC
Min. of
Finance &
Planning

4. Port Royal Project

Inter-ministerial committee, acting on directive from cabinet to finalize all approvals and arrangements for the Port Royal Project.

MIIC
MPUT
MOT
MOF & P

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Co./Dept.	Secretariat	Co.	JAN/PRD		
Phone #		Phone #			
Fax #	974-0428	Fax #			

5. Fiscal Incentives

- i. Amendment of the Motion Picture Encouragement Act to include Music
- ii. Amendment of the Income Tax, Customs Duty and GCT Acts to provide incentives for the non-bauxite Industrial Minerals Sector.
- iii. Introduction of Incentives for Tourism attractions

Min. of Fin. &
Planning,
Revenue Board

"

Ministry of
Tourism,
Min of Finance
& Planning

6. Development of Offshore Financial Services

Amendment of various clauses of the Foreign Sales Corporation Act 1984 to create a more attractive environment for the establishment of Foreign Sales Corporation in Jamaica.

Ministry of
Finance &
Planning,
Revenue Board

7. Government Approvals

- i. Establishment of an Inter-Ministerial Committee (Sub-committee of Cabinet) Chaired by the Minister of M.I.I.C. to expedite government approvals.
- ii. Identification of Investment Facilitators in Ministries/Agencies impacting the approval process, to fast track project application.
- iii. Land approvals required for:-
 - a. Zia Metallurgical;
 - b. Vonco Tropical Fish Farm;
 - c. Jamaica Communications Ltd.

Development
Council

See list of
Ministries/
Agencies
granting
approvals

F.C.J.
N.I.B.J.
Lands Dept.

MPUT, NWC

8. G.I.S.

Completion of an overall G.I.S. to provide valuable information for influencing site selection by both local and overseas investors.

OPM
Land Policy
Unit (Co-
ordinator)

9. Technical Assistance

Mobilization of resources (US\$4.8m) from donors and partner countries to fund I.T.C./UNCTAD project for Jamaica for "Capacity Strengthening for Trade Efficiency and Export Competitiveness".

Ministry of
Foreign
Affairs &
Foreign Trade
MIIC
PIOJ

10. Other

Government funding of approximately J\$250M for purchase of Good Year Factory in St. Thomas.

Ministry of
Finance &
Planning
MIIC

DC 55/m11c (JAMPRO) 19/97

**BASIC FUNDAMENTALS NECESSARY
FOR THE SURVIVAL AND GROWTH
OF THE PRODUCTIVE SECTORS**

A Submission to

THE GOVERNMENT OF JAMAICA

from the

JAS, JCC, JEA, JHTA, JMA, and the SBAJ

Coordinated by Peter King Associates Ltd.

September 10, 1997

✓

DC 55/m11c (JAMPRO) 19/97

**BASIC FUNDAMENTALS NECESSARY
FOR THE SURVIVAL AND GROWTH
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September 10, 1997

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BASIC FUNDAMENTALS NECESSARY FOR THE SURVIVAL AND GROWTH OF THE PRODUCTIVE SECTORS

A Submission to THE GOVERNMENT OF JAMAICA

from the JAS, JCC, JEA, JHTA, JMA, and the SBAJ

Coordinated by Peter King Associates Ltd.

September 10, 1997

Note: This document represents the combined positions of the Jamaica Agricultural Society, Jamaica Chamber of Commerce, Jamaica Exporters Association, Jamaica Hotel and Tourist Association, Jamaica Manufacturers' Association and the Small Business Association of Jamaica, hereinafter referred to as the 'Associations'. As the agricultural and tourism sectors have **additional** specific needs, their submissions are attached in entirety.

Introduction

It is now widely accepted that most economic problems being experienced by the developing world are homemade. It is not the globalization of trade and investment, monetary and fiscal austerity imposed by the IMF, deteriorating terms of trade for commodities, high external debt or an adverse geographical location that explain differential levels of growth. What determines development and what is necessary for economic growth are largely factors over which economic agents and governments have control.

Countries which found themselves in comparable conditions up to the beginning of the 1970's, such as Barbados and Jamaica, now differ in their level of development by a factor of four, Chile by a factor of six, the Bahamas and Jamaica by a factor of seven and Singapore and Jamaica by a factor of nearly twenty.

The gap it seems, is to be explained by policy, both economic policy and an adequate or inadequate institutional framework. Decisive factors are Openness to international trade as a prerequisite for rapid economic growth, and prudent fiscal policy is a precondition, with high rates of Government saving and low spending as a share of GDP.

It must be constantly borne in mind that Jamaica has seen a consistent lack of economic growth and consequently social development since the 1970's. Real GDP declined or stagnated for 20 years. Our situation is remarkable because it differs with the experience of other developing countries who between 1992 and 1996 achieved a 4.4% growth per year.

The corresponding development in Jamaica shows decline or at best, stagnation. Something is wrong. Something is drastically wrong and the Private Sector has identified certain issues which contribute towards international competitiveness as a jump-off point to help kick-start production and hopefully growth in this country.

Although there are many needs and constraints to be addressed, we have identified one or two critical elements which if addressed in the short-term can yield enough momentum to begin our quest for economic growth. What must be underscored is the need for partnering between the public and private sector and a true facilitation of the private sector needs. Bureaucratic red tape still underlies many of the initiatives which have been undertaken and thus renders them utterly useless in assisting the private sector. It is important to understand that the level of corruption, bureaucratic impediments, the efficiency and independence of the judicial apparatus not to mention political stability do count in investment decisions and international rating agencies do calculate the clear connections between all of these factors and economic growth.

1. FINANCING SUPPORT TO SECTORS

A prerequisite for growth and for the stabilization of the manufacturing and exporting sectors is low and competitive interest rates. A corollary to this is of course, low inflation rate, which allow a level of predictability in the economy and therefore provides a basis on which firms can begin to make long term plans.

The Private Sector needs real interest rates at between 4-6% with government directing funds to the productive sector through concessionary financial products. This will effectively reduce the cost of capital to the productive sector and assist in creating competitiveness.

1.1 Development Bank Support

True direct lending by NDB and ACB is compulsory in this effort and should be in the region of the above with low and competitive interest rates. Loans should be available at these rates to cover re-tooling needs with a 15 year payback, as re-tooling is arguably the most critical factor relating to competitiveness for the manufacturing sector.

Loans must also be available for working capital and re-financing. Without a refinancing component in any package of assistance to kick-start production, it is doomed to failure. An analysis of the cost of this type of package is currently being undertaken by the Private Sector for discussion with the GOJ. It is important that this type of approach be accepted in principle while the numbers are being crunched.

NIBJ is another institution which needs focus, particularly to simplify access to and the creation of a larger pool of funds for equity/development financing. The promotion of these and other facilities can be assisted by the Trade organizations themselves, as it is in their interest to have the membership access these funds and

move production to another level. At the same time, it is also incumbent on these organisations to ensure that the documentation from individual firms, being brought to the table to access concessionary funding, is up to date and meets the requirements and needs of the funding institutions. These organisations can play a great role in screening project documents and ensuring that audited accounts are available.

Ex-Im Bank should be fully funded to directly assist the productive sector, and should not operate through AFI guarantees. These guarantees are difficult to obtain, as they directly compete with products being offered by the commercial entities themselves. If the Ex-Im bank is to make a greater impression on the Sector then a level of risk will have to be assumed, with competitive interest rates prevailing.

1.2 Foreign Exchange Policy

Foreign Exchange rate policy is another issue which directly affects the productive sector. The Government needs to revisit calls for a competitive market regime insulated from speculation. This would bring back a level of competitiveness to the productive sector, it would also allow for long-term strategic planning in the export sector.

1.3 General Support

The creation of new and innovative tax incentives to these sectors is also critical and the GOJ has to understand that if we are to reverse the recession which is currently strangling this economy it will have to give up some level of income in the short run for the gains which can and must accrue in the long run.

A reduction in liquid asset ratio would assist in bringing down interest rates. GOJ should also examine the possibility of linking this

If the country can achieve a low inflation rate and low interest rates we can see a corresponding stabilization of the exchange rates if market forces are allowed to prevail.

2. TAXATION

- 2.1 The Government is urged to place the tax emphasis on Consumption and not on Income. There needs to be a simplification and rationalization of the current complex taxation system that will result in efficient and broad based collection, ensuring that every individual pays taxes. This rationalization should also result in one taxation collection agency (i.e. a merger of NHT, NIS and other payroll type taxes into one payment) with the mandate of collecting all taxes *and statutory deduction*, on government's behalf. *Taxpayers should be given the option of making payments through designated commercial banks.* This would greatly assist manufacturers in reducing their internal tax administrative costs as well as reducing the bureaucracy associated with transacting business at the many different tax collection agencies.
- 2.2 It is also recommended that the tax threshold of workers be increased. This will provide an added incentive to workers in the productive sector since certain low wage earners will be exempted from income tax. This will make employment opportunities in the productive sector more attractive and result in increased productivity of the workers as well as increase the international competitiveness of the company.
- 2.3 At the current onerous taxation levels, productivity incentive schemes are essential and must be reintroduced. An essential factor in revitalizing the productive sector is increasing the level of productivity within firms. This can be achieved through the introduction of productivity incentive schemes, where rewards will be linked to some goal, this reward will have some tax concession associated with it thus motivating the worker to work harder to attain such goals. It is recognized however that in addition to motivation of the workers, owners will have to rethink their approach to business. This critical review may require process upgrading, improved

within firms. This can be achieved through the introduction of productivity incentive schemes, where rewards will be linked to some goal. This reward will have some tax concession associated with it thus motivating the worker to work harder to attain such goals. It is recognized however that in addition to motivation of the workers, owners will have to rethink their approach to business. This critical review may require process upgrading, improved working environments, machinery upgrades and improved management techniques.

- 2.4 It is important that GOJ hasten the implementation of the much promised tax break on research and development, and add to this incentives to producers who invest in advanced technology and overseas advertising and promotion.

A wholesale educational campaign can be launched by the trade associations to get members to undertake these much needed activities, with technical assistance being provided especially in the area of information provision on alternative technologies, productivity issues and product development.

Tax incentives should be provided to farms with fully developed agricultural lands and farms employing more than ten full time workers.

- 2.5 Allow companies to treat spare parts as capital goods with zero duties.
- 2.6 The system of refunds on GCT should be rationalised to allow for immediate repayment, on a monthly basis, on capital items rather than the current 1/24 per month.
- 2.7 Products manufactured in Jamaica should be zero rated in cases where they are presently exempt.
- 2.7 Remove double taxation on dividends.

3.0 INFRASTRUCTURE

Government must be cognizant of the needed infrastructural support to ensure the type of growth and development required to move this country into the next century. When analysing the crucial issues

related to competitiveness and investment infrastructure ranks high on list.

- 3.1 The productive sector continues to be affected by the high cost of electricity in Comparison to our regional and international competitors which compounds our problems of efficiency and competitiveness. We propose that the Government create the mechanism for linkages with private power supply companies which have indicated that they can produce power at lower than the going rate. These companies should be able to sell power into existing grid structure at lower rate giving monopoly lower costs. This lowering of cost should be passed on to the consumer. At the same time a total review of Jamaica's rate structure should be undertaken to see were reductions can be effected.
- 3.2 There is currently a problem with technical training in Jamaica. The focus of this training is not in keeping with new trends emerging in the productive sector and institutions which offer this training are not presenting a dynamic programme which can impact on the productive sectors' needs. An effort to marry these two elements is critical for future growth and development.
- 3.3 The Associations are deeply troubled by the growing incidence of crime and violence in the society, and as such the Associations firmly believe that the inseparable relationship among the variables of illiteracy, employment and crime and violence must be addressed in a strategic way. The view of the Associations is that these causal factors of a socio-economic nature must be reduced in the medium and long term. This must be done through improvement in the local educational and technological support facilities and reducing unemployment through implementing policies to facilitate growth in the productive sector.
- 3.4 Infrastructural support to the agribusiness community is vital, especially in identifying roads which need repair and proper maintenance.

- 3.5 In making every effort to reduce transportation costs, the government should actively encourage and facilitate private companies who wish to develop alternate port facilities. Current legislation, such as, the Port Authority of Jamaica Act which puts the private investor in ports at a disadvantage vis a vis the Port Authority of Jamaica should be reviewed and amended to achieve this objective.
- 3.7 Effective policies must also be implemented to improve the local transportation system which continues to demoralize the commuting public and paralyze production. This should include provision of an adequate fare table to bus operators.
- 3.8 The early resolution of the environmental problems of polluted waters, coal burning and improper waste disposal is a prerequisite to the growth and competitiveness of the local tourism industry. These problems are a liability for the tourism product and Jamaica must address the quality of product offered if it is to remain competitive in an aggressive marketplace. These problems must be resolved in order that Jamaica can be properly positioned for ecotourism and to improve the attractiveness of Jamaica as a healthy and clean destination for tourists and residents.
- 3.9 The Government is very aware of the problem of squatter communities proximate to resort areas and is dealing with this problem through the PRIDE programme and other elements of its land policy. The Government is also aware that the long term solution of this problem requires sizeable investments in projects that will create economic self-sufficiency for the residents of these communities including:
- An expansion of training facilities for youths and others in resort areas, together with the provision of more recreational facilities.
 - Creation of income earning opportunities such as microeconomic enterprises to generate jobs, income and stability
 - Provision of proper housing to the residents of these communities.

- 3.10 Consideration should be given to ensuring the closest possible structural collaboration through the Ministry of Agriculture, between the NWC and FIDCO since the NWC has a very strong interest in afforestation.

4.0 INSTITUTIONAL STRENGTHENING

Lowering transactional costs is a critical element of economic recovery and bureaucracy is a major contributor to the high transactional costs which businesses in Jamaica face. Every effort should be made to simplify and reduce our existing red tape and to amend our antiquated laws which support the existing red tape, rather than facilitating production and investment.

4.1 Customs

It is critical that the Trade Facilitation Board be utilized in an efficient manner and that issues especially related to the Customs Department be dealt with speedily. Issues such as the incorrect classification of some raw materials as finished products have been dragging for many years. Indeed, the Customs Act itself gives rise to great subjectivity on the part of Customs Officers and this needs to be addressed. Other issues to be addressed include:

- training programme to assist customs officers on identification of mislabeled, misdescribed and under-invoiced goods
- the need for continued improvement and upgrading of the island's Customs Facilities to facilitate speedy and efficient movement of goods by the timely implementation of the steps already identified to upgrade Customs efficiency..
- effective policing of ports to control smuggled imports and to protect the integrity of local exports

- the co-opting of Customs representatives on the boards of private sector groups (already in place at JCC)

4.2 Jamaica Bureau of Standards (BOS)

The Bureau of Standards should also be a facilitator in the process of production. Currently its emphasis is on the wrong end of the spectrum. The BOS needs to focus its attention on goods being imported, and to facilitate the private sector's development of analysis capabilities (as is the case elsewhere). The Bureau should confine itself to being a regulatory body and not attempt to compete and stifle support to Private Sector facilities which have analysis capabilities and which can produce the necessary documents in a more timely and efficient manner.

Therefore the BOS should facilitate:

- A.
 - i) Nutritional Facts Analyses
 - ii) Timely issuance of Export certificates.
 - iii) Information on packaging and labeling requirements of overseas markets
 - iv) Sub-contracting laboratory work, including those falling under the Prescribed Foods Act, to certified private labs.

These services need to be competitive with similar overseas services. If this is not possible the Bureau should be the facilitator between the local manufacturer and the overseas service.

- B. Mandating that **ALL** imported products should meet accepted international standards before they can be accepted into our market. Jamaica must ensure that Jamaican standards are in line with international standards.

BOS needs to establish and articulate a policy on how to deal with ISO firms. There should be a programme for all Jamaican manufacturers to become ISO 9000 registered.

4.3 Ministry of Health and Ministry of Labour

The Ministries of Health and Labour should consolidate the factory and raw material inspecting/certifying activities of its PSD, VSD, Public Health Departments and Factory Inspectorate and establish one unit of trained individuals responsible for inspecting all finished food items, made locally and overseas. There should be close monitoring in the retail trade of the growing number of imported food products whose certified shelf-life has expired or is about to expire. Legislation must be enacted to enable the confiscation and condemnation of sub-standard products.

4.4 Data

A computerized database at the SRC/JAMPRO/STATIN/MMAG should be established with information on trends in market demand, technology, quality, and international labeling requirements, tariff and non-tariff barriers, supplier information, etc. One application would be to enable manufacturers, through the SRC or similar body, to learn and apply international efficient measurement standards and provide efficient data from around the world to enable meaningful comparison. It should also be ensured that the technology now available is used to assist our productive sector. Companies all over Jamaica should be able to access data relating to Jamaica and other markets.

A specific Internet Home Page Site should be established. The information thereon should be updated on a regular basis. Every JAS/RADA/PC Bank should have on-line access to this data. It may require a pro active programme by the agencies to show producers how the INTERNET and common databases can impact positively on their business regardless of size.

4.5 Product Fraud

Concentrating on intelligence gathering at the retail end is required to closely monitor all importers including the informal sector so as to stamp

out duty avoidance, mis-description, under-invoicing and other illegal activities. Cooperation with the private sector utilizing the National Export Security Council (NESC) would facilitate in ensuring that this approach provides an early alert to contraband activities including dumping

The failure of the policing aspect of trade policy has contributed in no small measure to the collapse of many vibrant industries that used to service the local market. The private sector welcomes fair competition which results in the importation of products at prices that are attractive to the consumer and thereby reduce the cost of living, but any policy that permits a laissez-faire attitude to the rules of international trade is short-sighted. A casual approach by the government to fraudulent import practices results in bankrupt domestic industries and loss of jobs.

In order to ensure that our domestic industry has a fighting chance of surviving and expanding in a highly competitive environment, we need to exercise more vigilance to guarantee that imports meet the standards prescribed, duties are paid in full, import invoices are not undervalued, dumped goods do not gain improper access to our markets and that rules of origin from preferential trade areas are carefully monitored.

GOJ must ensure that effective mechanisms are in place to enable manufacturers who produce for the domestic market to compete fairly against imports.

It is the workers who provides the vital human resource to fuel the manufacturing and service industries and when they no longer have a job because of unfair trade practices, it is the worker as an individual, and the country as a collection of individual workers, that will no longer be able to benefit from the lower prices that should be the fellow traveler of global competitiveness and the much vaunted 'liberalised' trade.

4.6 Trade Integrity

Product fraud, false declarations of value and illegal drug smuggling are issues over which Jamaica must exercise strict control. Not only must these measures be effective but it is vital that the mechanisms and the vigilance that are applied by Jamaica form a part of our trade policy strategy. In essence, we need to protect our workers but we must also convince our trading partners that we seek diligently to protect their workers and industries as well. The Associations in collaboration and the National Export Security Council, Customs, RPD the Ports Security Corps (PSC), JAMPRO have an important role to play here.

A system of verification and enforcement of trade laws and rules needs to be established which would allow domestic companies adversely affected by product fraud to take rapid compensatory and/or punitive measures sufficient to deter illegal activities.

We recommend that Jamaica assess all the variables in the current trade integrity programme, with a view to strengthening areas which may currently be weak. An up to date trade integrity manual should be developed and posters mounted in factories so that management and workers are constantly reminded of the prejudicial effect breaches of this kind have on their own job security and on the national economy.

4.7 JAMPRO

Investment is another critical element of economic growth, Jampro has responsibility for this area, and to be effective it must begin to truly function as a **one-stop agency**. Jampro should attempt to remove the subjectivity related to approving and facilitating investment projects by setting out clearly criteria for approval of incentives etc. Once projects meet these criteria, approval should be automatic, rather than subject to other hidden stumbling blocks.

The agency should also seek to forge stronger relationships with the private sector trade associations which could provide direct support to the productive sector and thus reduce the duplication of effort which currently exists. An agreed agenda of responsibilities and work programmes which assist in reducing the incidents of duplication.

Export Promotion

For some years the export promotion and marketing functions of JAMPRO have fallen into desuetude and the slack is being taken up by private sector bodies.

A critical function of an export promotion body is to put buyer and seller together. Greater emphasis needs to be placed on the instruments necessary for the stimulation of trade.

The objectives of a comprehensive export marketing programme must be to:

- Promote and develop the export of Jamaican products
- Identify market opportunities and diversify exports through trade information and ongoing research
- Promote to targeted importers through specific marketing campaigns
- Promote develop and facilitate in the service areas related to trade
- Ensure the competitiveness of these products in the international economic environment
- Enhance Jamaica's international trade interests and
- Train export manpower in all necessary disciplines

There needs to be identification of export customer needs and a matching with the capabilities of the productive sector. Trade Commissions are vital to the dynamics of this process and must be reactivated. Export promotion functions and services, now notionally

located in JAMPRO, should be strengthened and managed under private sector direction. In the context of the National Industrial Policy and its industry cluster approach, the trade promotion structure must include departments responsible for:

Trade Information - resource centre , publications and computer services on-line to exporters and trade enquiries

Trade Advisory - commercial intelligence by sector clusters

Trade Promotions - exhibitions, fairs, missions, secretariat services to business committees with trading partners e.g. Hong Kong/Jamaica Chamber, Jamaica/German Business Committee and Canada/Jamaica Business Committee

Trade Research and Development - market development, research, technical cooperation, statistics

Trade Training - costing and pricing for export, structure of an export office, negotiating techniques, trade laws, export security and

Trade Policy - identifying Jamaica's trade interests, developing strategies for increased market access under trade agreements.

The model of USAID assistance to the JEA should be repeated in terms of the channeling of concessionary funds from external funding agencies.

Certification

JAMPRO's regulatory functions such as certification and registration are seemingly at variance with their export promotion role. JAMPRO is given the impossible role of being both stimulator and policeman. The result is that neither task is carried out efficiently. It is proposed, therefore, that the regulatory functions of registration and certification be placed in the Ministry responsible.

The certification process should also be reviewed. Increasingly the practice is being followed of self certification. This is the case in regard to

exports to the United States under the CBI. The system is based on the integrity of the exporter who makes a declaration that the product has met the origin criteria. It is possible for the exporter to obtain a binding ruling from US Customs to assist in the process. If at any time up to seven years after export the accuracy of the certification is successfully challenged then the importer is liable for the duty.

This enlightened approach has virtually eliminated red tape in the CBI export process. It is recommended that the certification process be reviewed with the aim of reducing the red tape and costly delays that now attend the export certification process. This should apply to CARICOM. In the case of garments the US should be approached to amend the terms of the US/Jamaica Bilateral Agreement on Textiles to explore all areas of reducing red tape such as the introduction of self certification and the removal of visa requirements for 807A exports. The details as to volume of exports required for quota purposes could be supplied after the shipment. Where quota levels are almost filled close monitoring would apply.

The LOME Convention requires certification by a Customs officer. Jamaica should seek to have this regulation changed after discussion with its ACP partners.

Fee Collection

The system relating to registration of exporters and the certification of exports for rules of origin and preferential market access purposes should be reviewed on a regular basis and full and public accounting given. The private sector should be involved in the policy review and direction of the expenditure of the funds garnered from these fees to ensure that systems are kept at optimum efficiency and provide that data necessary for planning. In addition the private sector should be encouraged to offer these services where possible.

Security

Security has now become a major part of production cost for manufacturers due to the escalation in crime and violence and the government's inability to effectively deal with this problem. The viability of the export manufacturing sector is also threatened because of the contamination of their exports with drugs at the local ports. It is recommended that:

An audit of all exporters operating under the shipment by shipment letter system be completed by the end of 1997. Exporters would be advised how to strengthen security and would also a computerized system would be instituted to red flag suspect exporters.

The system of trucker registration would be reviewed.

The regulations governing exporter registration would be reviewed with the objective of making for quick and effective action against careless players in the exporter chain. The export registration security check list would be re-activated and exporters held accountable and de-certified for non-compliance.

The Export Registration Review Committee would be reactivated.

5.0 IMPORT REGIME

- 5.1 Jamaica's liberalisation programme needs to complement its industrial policy. This means that protection may be required for a period in industries which can eventually be internationally competitive. It is not recommended that inefficiency be perpetually protected but that there is an overall plan. Producers in some sectors may require assistance to compete against foreign competitors who enjoy large economies of scale, subsidies, other government incentives, lower fuel and energy costs etc. A range of options are available for consideration:

- i) Conduct a detailed analysis of non-tariff barriers implemented by our major trading partners to protect their industries as a basis for strengthening our own institutions to a point where they can effectively and legitimately defend our productive sector.
- ii) Slow down the accelerated rate of tariff removal, and provide a schedule which clearly outlines the time frame for gradual removal of tariffs in compliance with WTO provisions.
- iii) Invoke the safeguards which exist under the GATT/WTO agreements to protect domestic industries which are currently being threatened. It should be noted that proof of injury is much too difficult to establish. There is a catalogue of proofs, all of which must be satisfied. As long as an industry remains alive, it can only succeed in establishing severe losses when it has reached a point of terminal injury. The Association's experience is that other proofs can usually be shown prior to the point of terminal illness, but all the proofs have to be demonstrated and not just some of them. Any future agreements negotiated under the FTAA or LOME should take account of these considerations.
- iv) Enact anti-dumping legislation/enforce reciprocal labeling requirements on all imports to ensure that any item from any country meets the same requirements that country imposes on similar items exported from Jamaica into that country. This does not mean that we are proposing stopping imports or closing our borders, nor do we seek protectionism with its inherent dangers, neither do we wish to build a wall of tariffs. But we need to be conscious that we have the right to play the rules as smartly as the United States, Canada and Europe do in the protection of their products.

A programme that includes strong Jamaican institutional mechanisms to defend our manufacturers from wrongful foreign imports and strong promotional programmes for our produce must

be developed to offset the direct negative effect on our employment levels.

It is of note that recently MERCOSUR announced an Anti-Dumping pact. We must seek to actively influence the inclusion of clauses which will work in our interest in the anti-dumping legislation on our own territories. Every effort must be taken to speed up the deliberations and decision making process of both the Anti-Dumping Committee and the Ministry to which it reports.

- v) The productive sector wishes to emphasize the need for continued full private sector involvement in the negotiation of International Trade Agreements. This process of interchange is of the utmost particularly as the nation approaches LOME the America's Agreement (FTAA) negotiations.

- 5.2 Extend the period for which the TCC should be valid in the following manner: Bona Fide manufacturers (easily established through consultation with certification by the JMA) operating for three years or more should get a TCC valid for at least **six months**.
- 5.3 Amend the laws to ensure that action can be taken against importers and distributors of sub standard or mislabeled products. Where practical, The Ministry of Foreign Affairs can also deal with the issue of US Companies dumping low quality meat which is no longer saleable in the US, unto our markets, via inaccurate labeling and invoicing.
- 5.4 The local productive sector continues to face unfair competition from goods being dumped on our local market. This is due to the extraordinary long process involved in settling disputes brought to the Anti-dumping Board. This situation is untenable and does not augur well for the survival of the sector. It is therefore important that every effort be made to improve the efficiency of the Anti-dumping committee so that the cases that are brought before it are speedily dealt with.

- 5.5 The Standard Compliance Programme in its current form does not effectively protect the local manufacturer or consumer from the competition of substandard goods. In fact the monitoring agency, the Bureau of Standards, does not have the power of seizure therefore it cannot effectively police the local marketplace for substandard goods.

The focus should be at intelligence gathering from the retail end and working backward to ensure that the producer has applied the correct standard whether this be quality, labelling of the product to the working environment in which it was produced.

- 5.6 The Associations contend that the Standards Compliance Programme in its current form is a method of funding the Bureau's operations. In order to implement an effective Standard Compliance Programme, legislation must be passed to give the Bureau the power of seizure and certain performance criteria must be met.

6.0 TRAINING

Significant changes have occurred in the international economic environment within the last five years. These changes are expected to continue and it is vital that attention be given to the training of the private sector in the areas of international trade policy and how these policies impact on domestic firms.

There exists a need in the private sector for a greater understanding of the international trade process as well as the regulations governing the WTO, and how these regulations influence regional agreements such as CARICOM and FTAA. The new global trading system requires new types of skills as the Jamaican firms try to cope with new international trade rules concerning such matters as removing technical barriers to trade, dispute settlement mechanisms and customs valuation procedures

It is recommended that GOJ and the private sector develop a project approach to address this issue of private sector training and that the resources offered by international funding agencies be accessed for this purpose.

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JAMAICA AGRICULTURAL SOCIETY

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April 18 1997

A development program for Agriculture for inclusion in JAS, JEA, JCC, JHTA, JMA, SBAJ Submission

FOOD SECURITY

Any meaningful economic programme designed to stimulate exports for the country must recognize the need for Food Security. A major objective must embrace programmes that ensure:

- adequacy and continuity of food supply at the national level
- minimal levels of nutrition for all households
- reserve stocks in case of natural disaster or war
- maximization of the contribution to supply from domestic sources.
- reversal of urban drift

The Agricultural policy must recognize the serious implications of a cheap imported food policy and the need from nutrition and other factors to have a programme that encourages and sustains agriculture and agricultural exports.

The conclusion of Uruguay Round of the GATT resulted in reduction in tariffs by one-third and consequent erosion in tariffs. Need for companion measures (policing of standards labelling subsidies and dumping) by GOJ to defend the sector against unfair trade practice. The sector is concerned that GOJ opted to reduce tariffs under the Common External Tariff (CET) for certain manufactured items at a rate faster than required thereby exposing industry and agriculture to unnecessary and damaging competition.

The Sector is subject to increased difficulties in penetrating external markets due to non-tariff barriers even as a liberalised approach results in the dismantling of preferred access regimes from which we benefitted.

Elements required to promote sectoral growth:

1. RESEARCH AND DEVELOPMENT

Establish and properly finance an effective National Agricultural Research and Development Institute. This institute must:

- a) identify approaches to agricultural production which will increase productivity and reduce cost of production entities.
- b) coordinate and direct the activities of existing research entities.
- c) provide national extension services to all farmers. (large, medium and small) to supplement role played by private sector poultry and dairy.
- d) establish liaison between productive agricultural sector and College of Agriculture and other institutions of agricultural training.
- e) Place research arm of the Sugar Industry (SIRI) under the guidance of the farmers and manufacturers by allowing it to report to and be part of the Jamaica Cane Products Sales Ltd (JCPS). This will achieve the following:
 - Proper research and development to be undertaken to assist in lowering production cost
 - Lead the industry into the 21st century by the development of new varieties.

2. PRODUCTIVITY AND YIELD

Place maximum emphasis on the improvement of productivity and yield so as to be able to compete after preferences are removed.

3. WATER & TREES

Enhance the environment and rationalize the availability and use of water in the sector.

- a) The Ministry of Agriculture should work in collaboration with the Underground Water Authority, the NWC, FIDCO and the National Irrigation Commission to develop a national irrigation plan.
- b) This plan will ensure that the major agricultural areas are adequately supplied with irrigation water in the most effective way.
- c) Tree Planting: Introduce comprehensive programme of tree planting in watershed areas. Catalogue and publicize existing nurseries. Encourage establishment of new nurseries as small businesses under MIDA or PC Banks. Start with fast-growing nitrogenous-fixing trees (leucaena, caliantra) and later cover with native hard-wood. Let National Water Commission lead the thrust.
- d) River Training: Implement early and intensive programme to train rivers as this has not been systematically done for several years, which has accelerated soil erosion. Such a programme has important labour content and can be used for training in contouring.

4. OPERATING ENVIRONMENT

The Government to work with farms and processing plants to identify roads needing repairs to ensure proper maintenance. Place greater resources in the training of young farmers in agronomics and other farming skills through *inter alia* focussed programmes at the Agricultural Training Colleges.

5. MARKETING OPPORTUNITIES

There is need for GOJ in partnership with the private sector to reestablish an export promotion and marketing body to stimulate the export trade of the Island. This body would identify export customer base for expanded export market of locally produced and manufactured

agricultural items. Match this with the capabilities of the agricultural sector. Reactivate Trade Commissions.

6. INVESTMENT STIMULATION

Encourage increased investments in long term agriculture:

- 1) Re-introduce differential single digit interest rates along with appropriate terms and conditions.
- 2) Farmers must be able to access funding at rates that will facilitate the required infrastructure development.
- 3) Reduce bureaucracy that chokes incentive programmes. Examine existing systems and identify that while ensuring relatively easy access to the incentives
- 4) Engender a positive attitude to the agricultural sector highlighting foreign exchange earning, employment, optimum use of otherwise non-productive lands
- 5) Offer tax incentives to farms with fully developed agricultural lands, and farms employing more than ten full time workers.

7. TRADE POLICY

Lobby to ensure access to the markets of all major trading partners. This should take into account the need to offer reciprocal access to our market. Such reciprocal access should be negotiated on a phased basis with transitional periods as required by different sectors. Efforts should be concentrated on products for which Jamaica has a significant production base.

- i) Several products (e.g. poultry, dairy, beef, fruit and vegetables ground provisions) are currently hampered by non-tariff barriers.
- ii) Liaise with other countries e.g. USA and Australia who have developed successful non-tariff barriers to protect their industries. These programmes should be examined and adapted with a view to putting in place barriers that will protect local producer no less adequately than those in Europe and North America.
- iii) Examine and absorb the new rules of the WTO as they affect dumping, health, safety and phyto-sanitary regulations to ensure that all imported products meet these minimum requirements. Government must be prepared to act in the face of breaches of health regulations by foreign airlines supplying foodstuffs for passengers from their home base using foreign health regulations rather than insisting that airlines meet the domestic sanitation code. GOJ must be prepared to use non-tariff measures as an instrument of trade policy.
 - 1) Provide the Bureau of Standards with adequate resources to effectively enforce these rules. Coordinate with private sector to enable joint policing. Encourage establishment of private sector standards laboratories with Bureau of Standards checking those private labs.
 - 2) Prepare a Trade Policy position for the sugar industry in the context of the inevitable request for reciprocity by EU and NAFTA by ensuring that Jamaica seeks to obtain the longest possible transition period before sugar can be imported duty free.

- 3) Allow duty free importation of inputs (cereals and proteins) to take advantage of world commodity prices at all times. The private sector must provide holding capacity within the country to economically import these commodities.

8. LAND POLICY

- a) Develop a land policy that will facilitate access of land to trained and qualified farmers with an emphasis on younger persons.
- b) Discourage fragmentation of land.

9. PROTECTION FOR THE SUGAR INDUSTRY

It is expected that by the year 2000 the two major preferential markets (the EU and USA) will become a part of the World Market and the price for sugar will be in the region of 15 US cents per lb. Jamaica must, therefore, protect its local industry as many other countries are doing and the following are recommended:

- a) Reimpose the 40% CET on brown sugar
- b) Impose an import licensing regime similar to brown sugar on white granulated sugar.

10. PRAEDIAL LARCENY

Praedial Larceny is the single most debilitating problem in the Agricultural Sector today. The problem is experienced by all commodities to varying degrees.

The recommendations of the special task force on praedial larceny set up must be speedily implemented. These include

- Appointment of Special Agricultural District Constables to be rotated throughout the Parishes
- Certification by Commodity Boards and Associations of sales by members (special receipt books)
- persons conveying commercial quantities of agricultural produce must be able to produce proof of ownership
- Similar proof to be shown by vendors in public markets
- Public education campaign
- Changing the law making stronger penalties and briefing and motivating judges to impose the full weight of the law.

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BASIC FUNDAMENTALS NECESSARY FOR SURVIVAL AND GROWTH OF THE TOURISM SECTOR

A Paper by the JAMAICA HOTEL AND TOURIST ASSOCIATION for Inclusion in the JAS, JEA, JCC, JHTA, SBAJ SUBMISSION TO GOVERNMENT

August 21, 1997

OVERVIEW

The Market

The decline in stopover tourist arrivals over the past year has eroded hotel occupancies even in the upscale properties. JHTA members have been reporting low occupancies, despite unprecedented and general heavy rate discounting and greatly increased promotional activity by several properties.

While some countries in the region have also experienced some declines, we have an added problem which is peculiar to Jamaica of widespread consumer resistance to the product: harassment, crime, poor infrastructure, inhospitable condition of resort towns. This is sometimes exacerbated by Jamaica's low marketplace visibility due to inadequate destination (national) marketing and promotion. There is further exacerbation from Mexico and the Dominican Republic whose discounting is even greater than ours because of lower operating costs.

Finance

Tourism's decline in business has been compounded by significant loss of income due to revaluation, high operating costs for utilities, goods and services (which continues to increase), increased taxes (e.g. beach tax) and high interest rates.

Because of the condition of the product, there is an increasing need to discount which is becoming more and more burdensome. It must be recognized that a breaking point will come - the survival of Jamaica's tourism cannot depend on continual discounting and unreasonably increasing marketing expenditure. The industry has already reached the point where the disproportionate amount spent on marketing, the heavy discounting and high operating costs has led to indebtedness, as a result of which many hotels can no longer afford to - and are not-maintaining their plants to acceptable condition.

The industry now faces the dual challenge of drastically improving the overall product in the resort areas and upgrading the product within the tourism establishments.

RECOMMENDATIONS

(I) Crime and Harassment

This is the biggest problem facing the industry and is a major threat to its survival.

- The tourism sector requires urgent steps to strengthen the Resort Patrol Service (RPS) to become in effect a Tourism Elite Police Force. Recommendations for improvement are as follows:
 - The first batch of RPS received training from both local and international enforcement agencies; however the current programme excludes international sources. It is recommended that the original programme be reintroduced.
 - In addition, specially trained RPS officers be located in all resort areas, including outlying villas which should have a 24 hour radio link to security on all properties.
 - The RPS should seek to have a higher level of recruits.

- The RPS should consist of mobile, mounted and foot patrols and should provide both security and courtesy services.
 - Establishment of a Resort Security Board, chaired by the Commissioner of Police.
- There should be strict enforcement of the Tourist Board Act, making it mandatory for all itinerant vendors and operators to be licensed and to operate within designated areas. It is recommended that:
- The current list of prescribed areas should be reviewed and expanded so as to include parts of Kingston and emerging resort areas, e.g. South Coast.
 - The Act should provide for stiffer penalties for harassment charges.
 - Introduction of night courts in all resort areas to ensure speedy trials.

(ii) **Condition of Resort Towns**

Jamaica's tourism has developed in a largely unplanned way and the resort areas now suffer from untidy and insanitary conditions, squatter settlements and related environmental problems, and evidence of poor planning guidelines.

It is recommended that:

- City Managers should be appointed to manage the resort areas and towns on an on-going basis. One manager should be appointed for each resort area. Their responsibilities should include beautification, garbage collection and sanitation, signage, traffic control, security, etc. They should also assist in monitoring and coordinating the work of government agencies undertaking projects in these areas, so as to avoid unpleasant and costly mistakes such as those which occurred with the Ocho Rios and Negril infrastructural upgrading programmes.

- Adequate funding must be provided for the maintenance of the resort areas inclusive of landscaping, regular cleaning of streets, gullies and drains, directional signs and road repairs.
- A strategic environmental programme involving all players within each community.

(iii) **Airports**

Harassment, pimping, touting and drug pushing continue at our two international airports, even in the sterile and semi-sterile areas. Since this is where our visitors get their first and last impressions of Jamaica, the potential for damage to our image as a result of this situation is enormous.

- It is vital that the recommendations of the Canadian Company Jonair Consultants Limited, which reviewed passenger handling operations and other systems at both international airports be implemented.
- It is also imperative that the Airports Steering Committee, comprising representatives of the Tourism Industry associations, the Ministry of Tourism and the Airports Authority be resuscitated to monitor operations at the airports.

(iv) **U-Drive Industry**

- Impediments to an efficient and competitively priced U-Drive service must be removed. Jamaica's high rental rates are primarily caused by high insurance costs, high interest rates, high costs of spare parts, the high import duty structure and the poor state of our roads. These problems are further compounded by the growing number of illegal operators who provide sub-standard service to our visitors and undercut the rates of the legal operators.

Failure to deal with these problems over the years has led to massive attrition among U-Drive Operators. The U-Drive Association reports that within the last year it has experienced a fifty percent attrition in its membership and more closures are imminent. Quick action must be taken to restore the U-Drive industry to financial health, as its viability in turn affects the

viability of the villas and EP properties, restaurants, shops and attractions.

(v) Attractions

- Greater incentives must be provided to encourage the development of attractions. A well developed attractions sub-sector will provide a badly needed “shot in the arm” for Jamaica’s tourism industry.
- It is critical that a programme of repairs be undertaken on roads leading to attractions such as Rafting on the Rio Grande, Nonsuch Caves, etc. The deplorable road conditions are now a serious threat to the survival of many attractions.

(vi) JTB/JAMVAC Budget

Adequate and timely funding is fundamental to an effective Jamaica Tourist Board and Jamaica Vacations. It is recommended that:

- Every 2 - 3 years, the Jamaica Tourist Board and Jamaica Vacations should establish the minimum budget they require to maintain Jamaica’s competitive edge in the marketplace, given the image problems and the increasing global competition. The Government should then give an irrevocable commitment to provide at least the minimum budget for ensuring 2 - 3 years, in order to facilitate more effective long-term planning.
- This budgetary commitment should be in foreign exchange so as to insulate the Jamaica Tourist Board and Jamaica Vacations from the problems which arise when there are even minor changes in the value of the currency.

(vii) Financing

- Many JHTA members are badly in need of long-term loan funds for refinancing. The NIBJ Refinancing Programme has proved to be less useful than anticipated, due to the high interest rate (26¼), the limited funds available (maximum of \$20 million per company) and the need for the commercial banks to be involved in debt restructuring.

- Long-term loan funds should be provided for Mortgage Refinancing for old/existing properties.
- Low interest loans are also required to refurbish our ageing hotel plants and to implement necessary marketing programmes.
- NDB should establish a line of credit for hoteliers for use as working capital. It should be permissible for the floating assets of the hotel to be used as collateral for such a loan.

(viii) **Marketing**

- The current strategy of marketing Jamaica as the master brand to be reviewed putting emphasis on the areas as the primary products in selling Jamaica.



Road Township 120.

Singer 150.

JSIF 256

Students Loan 239.

16 70

- 19 70 - 23 70

Unemployment.

Growth in GDP.

Gathering of Statistical Data
& Indices of Measurements.

The Planning Function
& Development.

Agriculture.

Manufacturing.

Lending Rates by Financial
Institutions.

- Agriculture.
- Manufacturing.

Bauxite - Mining

Meeting on the Economy
Thursday, September 11, 1997 at 10.00 a.m.

- | | | | | |
|------|---|---|--|---|
| ✓ 1. | <i>Opening Remarks</i> | - | <i>HPM</i> | ① |
| ✓ 2. | <i>Introduction of Presentations</i> | - | <i>HMFP</i> | ② |
| ✓ 3. | <i>Fiscal Programme</i> | - | <i>HMFP</i> | ③ |
| | 3.1. <i>Revenue</i> | | | |
| | 3.2. <i>Expenditure on Capital and Recurrent</i> | | | |
| | 3.3. <i>Public Debt</i> | | | |
| 4. | <i>Monetary Programme</i> | - | <i>BOJ</i> | 7 |
| | 4.1. <i>Money Supply</i> | | | |
| | 4.2. <i>Interest Rates</i> | | | |
| 5. | <i>Forex Inflows</i> | - | <i>BOJ</i> | ⑥ |
| | 5.1. <i>Purchase/Sales</i> | | | |
| | 5.2. <i>Current Account</i> | | | |
| | 5.3. <i>NIR</i> | | | |
| 6. | <i>Inflation</i> | - | <i>PIOJ</i> | ⑧ |
| 7. | <i>Balance of Trade and Services (including
breakdown and analysis of figures)</i> | - | <i>PIOJ</i> | ⑤ |
| 8. ✓ | <i>Growth trends and GDP</i> | | | ④ |
| 9. | <i>Strategic Vision for the Financial Sector</i> | - | <i>Dr. Bonnick, Mrs. Anderson,
Professor Harris, Mr.
Richards, Dr. Lawrence</i> | |
| 10. | <i>Any Other Business</i> | | | |



BAUXITE AND ALUMINA TRADING COMPANY OF JAMAICA LIMITED

4378/97

PCJ RESOURCE CENTRE, 36 TRAFALGAR ROAD, P.O. BOX 518, KINGSTON 10, JAMAICA W.I.

Tel: (809) 926-4553/5, 926-4602, 926-4486, 926-9288/9. Fax: (809) 929-7165. Telex: 2467JABM, 2436BATCO.



1997 September 8

Dr. Gladstone Bonnick
Executive Chairman
FINSAC Limited
76 Knutsford Boulevard
Kingston 5

Dear Dr. Bonnick *Gladstone*

Further to our meeting on Friday, September 5, 1997, as promised, attached please find my comments on the two papers discussed.

Yours very truly

Vin

Vincent M. Lawrence

Enc.

cc. Professor Don Harris
Mrs. Audrey Anderson
Mr. Nathan Richards

bc: Rt. Hon. P. J. Patterson, Prime Minister
Hon. Dr. Omar Davies

A VISION FOR THE FINANCIAL SECTOR
(Special Reference for the Banking Sub-Sector)

1. Comments - Paper on "Issues for Consideration"
(Jeffrey M. Hall)

All the issues in this paper are indeed relevant and should be fully analysed and considered by both the Committee and the Political Directorate in defining the VISION.

This note clearly recognizes the importance of the sector to national development and growth. It recognizes the importance of the Regulatory Environment but clearly demonstrates that the issues need to be viewed in a much broader context even though supervision and regulation are important factors.

2. Comments - Draft Paper on "The Banking Sector in Development"
(Gladstone Bonnick)

- Approaches to Banking Policy

The vision of the future must be agreed with full knowledge that we can only get there in phases with changing policy measures along the way. The starting point for Phase I is obviously the present situation (which does not need the system to be designed from scratch). Phase I should be the tolerable desired changes with realistic timeframe. **CHANGE WITHOUT CHAOS.**

- Fundamentals and major issues for the Banking Sector are generally acceptable. However the following should be noted:

(a) Market Forces vs Regulation

My interpretation of more "restrictive licensing" is that appropriate and stringent requirements must be initiated on the least possible disruptive (optimum) timetable.

(b) Structure of the System

With proper regulation there should be no need to supervise "the conglomerate". I support the view that the differential structure is not necessarily more efficient nor will it engender more confidence. The issue here may be more the "PROBLEM OF SCALE - TOO BIG TO FAIL" rather than "the conglomerate".

(c) Foreign Investment and Control

The domestic Bank problem is related to lack of proper Regulation and inadequate Capital Requirements. The current situation is no different from that in other countries at the corresponding period of legal and regulatory inadequacies.

Control of the Decision Making Process is critical as it goes to the heart of National Development and Growth. There is need for specific primary national interest by itself as distinct from general secondary interest consideration along with that of other countries in an overseas boardroom.

It is reasons like these that we talk of domestic savings, domestic growth, local investment, etc.

The concept of Foreign participation is fully supported but Policy and action must be such to encourage local participation and significant (not necessarily total) local control.

Note: Loans from foreign controlled banks to Jamaica are not made just to assist Jamaica. They are made mostly on very expensive terms for their own benefit. The domestic controlled banks make these loans very cognizant of the fact that Jamaica's problems are their problems and thus they have an interest to protect as distinct from just margin gathering. It should be noted that like Portfolio Investors, foreign owned Banks have no dedicated long term interest in the country.

The poor performance of Domestic Banks is not only due to the human element (which is worldwide and why society has agreed to set rules to regulate human behaviour) but due also to poor legal and other regulatory framework and which when now being corrected must have transitional periods and arrangements in order to minimize chaos. The foreign Banks have only operated differently due to the adequacy of their own domestic regulations.

The experience in individual countries clearly displays the dominance of domestic Banks with the critical involvement of Foreign majority controlled Banks. This must be part of the vision and a specific objective.

(d) Foreign Management

The Management source (Foreign or Local) is obviously the Owners decision which obviously will be guided by prudence in order to ensure compliance with the fundamentals, rules and regulations and thus achieve viability.

- Implications for Policy

(a) Present Tendency in Policy

There is no need to have "Banking organizations with track record of successful banking be the owners and operators of Jamaican banks" in order to ensure the "over-riding importance of building a sound banking system". There is indeed a correlation between experience in the business and the likelihood of running a sound institution but this experience can be bought by methods (i.e. Management and Systems) other



than the ownership control route.

- Banks can operate as stand-alone institutions regardless of the owners (insurance or other non-banking organizations). All that is required are effective regulations and supervision. I do not agree with the statement "the intention is to have banks owned by banking business." The obvious question is, who owns the "banking business that owns the bank"?

- FINSAC's immediate actions can significantly affect future Policy especially the matter of Domestic vs Foreign Control. All FINSAC's action should provide the opportunity to achieve the objectives of building a strong mainly domestic controlled banking sector with the current utilization of local taxpayer resources.

The decision as to whom to sell a bank subsequently should indeed depend on objective analysis but must also include some weighting which does indeed pay some regard to "the nationality of the buyer" especially if its Jamaican. Also the PROBLEM OF SCALE - TOO BIG TO FAIL must be considered.

- Future Directives of Policy

The answers to the questions asked should be as follows:

(a) Is the required capital injection likely to be forthcoming from domestic sources?

ANSWER: YES or certainly some Jamaican initiated or led consortium.

(b) What is the role acceptable for foreign Investment in Jamaica's banks?

ANSWER: Existing Banks should preferably remain majority Jamaican owned. It is agreed some foreign involvement could quickly assist in addressing the issue of "Confidence and Credibility." Thus Foreign investment as minority shareholders should be welcomed.

(c) Are suitable entrepreneurs available in the island?

ANSWER: YES. Even some of the existing investors could be considered suitable once the rules and regulations and the related penalties and consequences are clearly established. People will play the game according to the rules whether they be the "rule of the jungle" or the "rule of civilized society."

(d) To what extent is the importation of Management acceptable?

ANSWER: To any extent which will ensure efficient and effective management of the enterprise considering all factors such as experience in banking business, international and local conditions, knowledge of cultural and social norms, availability as per work permit

requirement, etc.

I have not yet seen any information or data to support the allegation that "the main deficiency in supervision is the concentration of enforcement powers at the political level rather than at the official level". I do however fully support the view that there is need for "an adequate menu of enforcement actions available to supervisors."

Vincent M. Lawrence
September 9, 1997

UWI Libraries

Inflation

January to July
1997

PLANNING INSTITUTE OF JAMAICA

SEPTEMBER 10TH, 1997

INFLATION - 1997/1998 ECONOMIC PROGRAMME

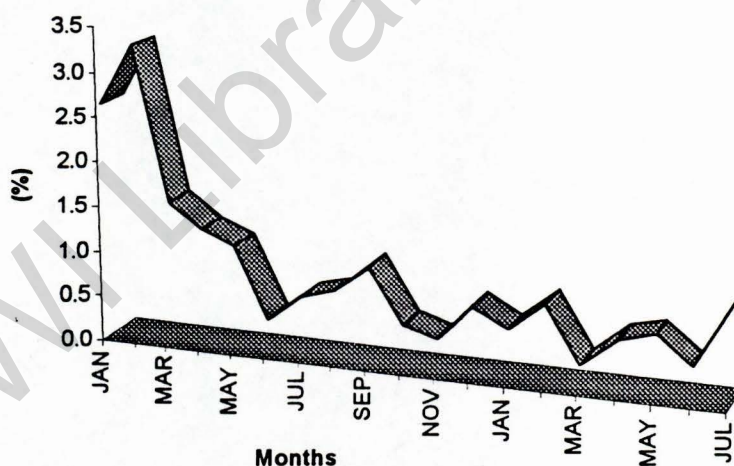
Following the successful stabilization efforts in 1996/97 which saw inflation decelerating sharply from 30.8 per cent in the previous fiscal year to 9.5 per cent, consolidating price stability remained a key component of the Government's overall economic objectives in the current 1997/98 fiscal year. In line with this strong commitment to price stability, the 1997/98 economic programme is expected to deliver a similar inflation outcome in the range of 8-9 per cent for the fiscal year.

Figure 1

INFLATION OUT-TURN TO JULY

For the 1997 calendar year to July, monthly inflation¹ averaged 0.7 per cent per month (an annualized rate of 8.3 per cent), in line with the target monthly inflation rate. In July

Monthly Inflation Jan 96 to Jul 97



however, inflation deviated from target rising to 1.1 per cent due to drought-induced higher food prices. The CPI increase would have been a moderate 0.52 per cent in the absence of the inflationary impulses generated from the supply short-fall in the agricultural sector.

¹ Measured by the 'All Jamaica' Consumer Price Index

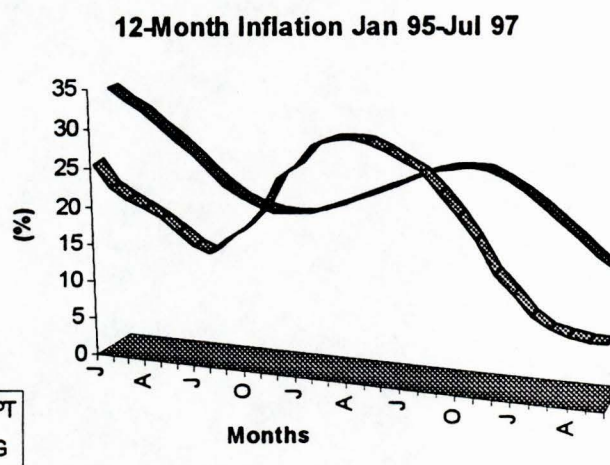
Table 1

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1996	2.6	3.3	1.6	1.3	1.2	0.4	0.7	0.8	1.1	0.6	0.4	0.8
1997	0.6	0.9	0.3	0.6	0.7	0.4	1.1	-	-	-	-	-

For the seven months to July, point inflation measured 4.8 per cent, less than half the 11.6 per cent recorded at the similar point of 1996. Similarly, for the 1997/98 fiscal year to July, consumer prices increased by 2.9 per cent, below the rate of 3.6 per cent observed at July 1996 of the previous fiscal year. With respect to the twelve-month point-to-point inflation, this fell sharply to 8.7 per cent, compared with 28.8 per cent at July 1996. Similarly, the twelve month average measure of inflation at 14.4 per cent was also a significant improvement from 27.7 per cent recorded at July 1996.

Lower inflation reflected the consistent application of stabilization policies effected since the second half of 1995. Monetary policy in particular has remained tight since the beginning of 1997 containing the growth in aggregate demand, and in particular, private

Figure 2



consumption demand. Aggressive base money management has tempered money supply growth throughout 1996 and into the first six months of 1997.

Price stability has also been supported by exchange rate stability. During the first seven months of 1997 the Jamaican dollar remained relatively firm against the US currency, losing only about 1.2 per cent of its value. This occurred despite the tapering in foreign exchange inflows witnessed earlier in the year partly reflecting some portfolio switching to US\$ denominated assets as nominal yields on local currency denominated assets fell. Instability in the foreign exchange market also resulted from an increase in demand to facilitate higher imports as well as speculative activity. Given the strong positive correlation between exchange rate depreciation and inflation, the dampening of demand pressures through the sale of official reserves (to maintain relative stability), eliminated one important potential inflationary impulse in 1997.

The current severe drought affecting the island by reducing domestic food crop production has significantly contributed to raising food prices particularly since May. To some extent the increase in food imports coupled with a decline in the international prices for a number of key imports such as grains, and other imported foodstuffs, have mitigated the negative influence of the supply short-fall on inflation, moderating somewhat the overall increase in the Food & Drink group.

THE CONSUMER PRICE INDEX

Food & Drink inflation continued to remain below overall inflation (3.5 per cent) exerting a significant moderating effect on the overall CPI. However in July, the effects of the severe and prolonged drought exacerbated the expected seasonal increases in food prices. As a result, the Food & Drink inflation rate rose to 1.6 per cent in July, above the 1.1 per cent CPI increase.

Within the broad Food & Drink category the prices of a number of food items have moved well ahead of overall inflation reflecting the drought impact. The Starchy Foods subgroup recorded the

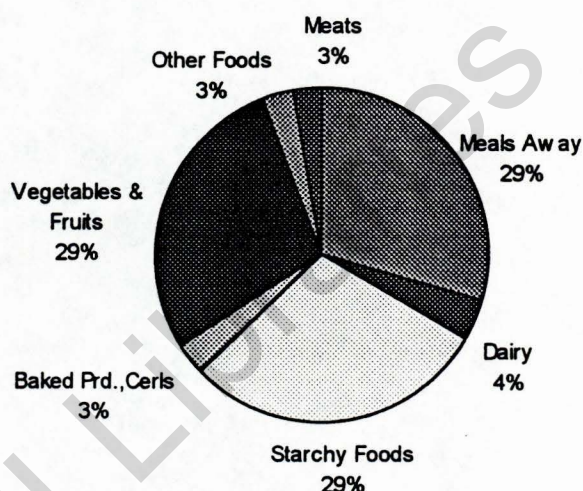
largest year to date increase as between May and July this sub-index increased by a substantial 15.9 per cent. In July alone, this sub-index increased by 5.7 per cent, contributing about 30 per cent

of the Food & Drink price movement in that month. Among the food items that experienced particularly large price increases were yams, avocados and plantains. The severe all-island drought which began as early as December 1996 in some parishes resulted in reduced planting, poor crop development and low yields for most crops. Plantain production declined by 23.5 per cent between March and July 1997 relative to production in the similar period of 1996. Yam production declined by 10.3 per cent.

Drought also affected the supplies of vegetables inducing a 6.5 per cent increase in the Vegetables & Fruits sub-group for the year to July. Vegetable production declined by

Figure 3

Contribution To Food & Drink Inflation July 1997



a significant 30.0 per cent in the second quarter of 1997. However, the production of fruits increased reflecting an improved high-yielding and early maturing variety of melon as well as higher paw-paw production influenced by a buoyant export and domestic market.

The subgroup 'Meals Away From Home' increased by 6.0 per cent reflecting the high cost of domestic factor inputs (wages, rent, interest rates) as well as higher domestic food crop prices. All other Food & Drink subgroups recorded modest inflation, with the exception of 'Baked Products Cereals & Breakfast Drink', which declined by 0.6 per cent (due to declining international grain prices), exerting a dampening effect on the overall movement in food prices .

Table 2

CPI GROUPS	JAN-JULY 1996 (%)	JAN-JULY 1997 (%)	CONTRIBUTION Percent
ALL GROUPS	11.7	4.8	100.0
Food & Drink	8.1	3.5	43.3
Fuels	17.3	4.0	6.0
Housing	10.8	6.8	8.0
Household Furnishings	11.6	6.1	2.5
Healthcare & Personal	16.6	6.0	8.0
Personal Clothing	15.2	8.6	9.3
Transportation	17.8	1.1	1.3
Miscellaneous Expenses	17.6	11.7	21.4

The group Miscellaneous Expenses rose by a relatively large 11.7 per cent, contributing 21.4 per cent to the overall movement in inflation. This group continues to exhibit some volatility reflecting periodic adjustments to the prices of goods and services such as school fees, newspapers & magazines and cigarettes. Inflation within this group displayed the weakest correlation with movements in the exchange rate, as most input costs relate to domestic factor inputs.

OUTLOOK

Inflation should continue to be influenced by the impact of drought conditions on domestic food supply in upcoming months. Given the widespread drought which has hampered the development and transplant of seedlings, agricultural production is expected to contract further. This along with the seasonal price increases associated with back-to-school expenses, should keep monthly inflation above average in August as well as in September.

Given the above expected deviations from target, it is imperative that the overall macroeconomic policy mix continue to be supportive of containing demand-pull influences as well as speculative activity if the target 8-9 per cent inflation rate is to be met. In terms of monetary policy, strict management of base money combined with some manipulation of short-term indicative interest rates should ensure that the growth in money supply be contained, more so in view of current real wage increases occasioned partly by large lump-sum retroactive salary payments in the public sector. In that vein, fiscal operations must be supportive of liquidity management easing somewhat the current upward pressures on interest rates. With the monetary authorities remaining resolute in its monetary management, no major adjustment in the value of the Jamaican dollar is anticipated, although moderate fluctuations around the current exchange rate should continue.

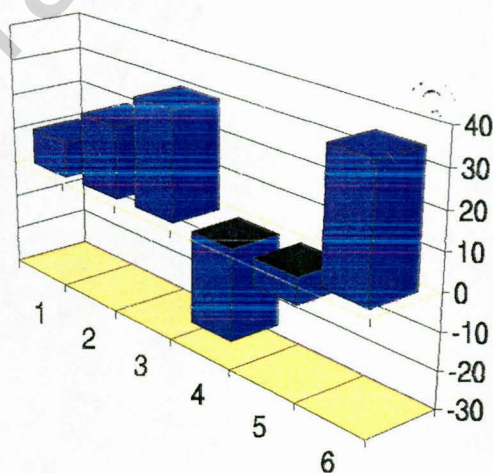
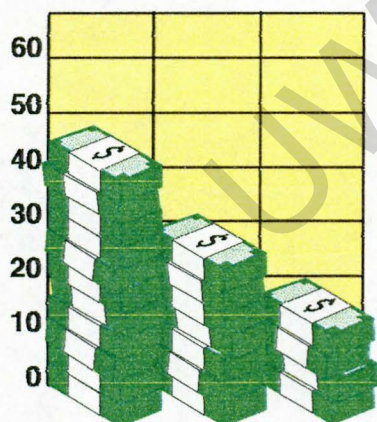
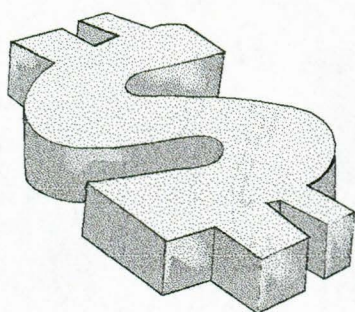
With an above average inflation forecast for August and September, (as shown in Table 3 below) and a subsequent return to the monthly average rate of 0.6 per cent for the remaining months² of the fiscal year, the inflation outturn should be in the region of 8.5 per cent and 9.0 per cent.

Table 3

Fiscal Year To Date	Aug	Sep	Average for remainder of 1997/98	1997/98 Out-turn
2.9%	1.0%	0.9%	0.6%	8.5%-9.0%

² Monthly average for the first six months of 1997.

RECENT ECONOMIC DEVELOPMENTS



Bank of Jamaica
September 11, 1997

MONETARY PROGRAMME

Money portfolio adjustments dominated much of the commercial banking sector during Q1 1997/98. These adjustments were in reaction to a change in interest rate relativities and to changes in foreign exchange market expectations. Interest rate shifts for the period showed time deposit rates at least one percentage point below savings rates and this sparked depositor preferences away from time deposits which declined by 15.2% to savings deposits which increased by 7.2%. Expectations of exchange rate depreciation prompted by financial system instability, coupled with a declining domestic interest rate regime, caused a shift out of Jamaican currency bank accounts to foreign currency accounts and created excess demand in the foreign exchange market. Private sector foreign currency deposits grew by 4.1% compared to local currency deposit growth of 1.6%. Underpinning these portfolio adjustments was a 5% growth in the monetary base despite NIR reductions and BOJ open market absorption of \$6 billion.

1.1 The Monetary Survey

Money Supply

The out-turn in the various aggregates of money supply fell within the respective quarterly targets. Overall private sector liabilities increased by 1.6% and M3 (local currency money supply) recorded growth of 1.0%. These growth rates were well within the 2.1% which was targeted for each aggregate.

As mentioned earlier, the changes in broad money supply were found in switching between components as opposed to aggregate growth. Foreign currency time deposits grew by 16.3% while its local counterpart declined by 15.2% and local currency savings deposits increased by 7.3%.

An \$11 billion drawdown of Central Bank deposits at the BOJ provided the major source of the expansion in private sector liability growth during the quarter. The expansionary effect was however partially offset by reductions in commercial bank credit to non-banks (the debt being assumed by FINSAC) and open market operations. This

restricted the growth in local currency money supply to 1.0%. The remaining excess liquidity facilitated the speculators in the foreign exchange market. Pressures on the market emerged and the rate slipped slightly by 1.1%. Concurrently there was a foreign currency deposit build-up equivalent to J\$735 million, contributing to the 1.6% growth in overall liabilities.

Money & Credit Growth Rates				
Q1 -1997/98	April	May	June	Q1
1. Private Sector Liabilities	0.8	0.9	-0.1	1.6
M3 - Local Currency Money Supply	0.5	1.3	-0.7	1.0
Local Deposits	1.5	0.8	-0.6	1.6
- Demand	2.1	0.0	0.1	2.2
- Savings	5.5	0.3	1.3	7.2
- Time	-9.0	0.9	-7.5	-15.2
Currency	-6.4	5.1	-1.2	-2.7
Other Liabilities				
Foreign Deposits	2.3	-0.8	2.7	4.1
2. Credit	-2.6	2.3	-0.1	-0.4
Local	-2.7	3.3	0.8	1.3
Foreign	-2.0	-1.0	-3.2	-6.1

Domestic Financing of the Public Sector

Domestic financing of the public sector was provided solely by the banking system and was above programme. The take over of commercial bank claims on certain non-bank financial institutions represented a switch in the banks' portfolio from 'credit to non-banks' to 'credit to the public sector'. The net repayment of commercial bank credit to the

private sector was another major contributory factor to the availability of more banking system financing for the public sector. Private sector credit declined by 0.4% against a programmed increase of 6.3% . As a consequence, much of the 1.6% growth in private sector liabilities was matched by increased claims on the public sector by the banking system.

Private Sector Credit

The financial programme had assumed a 6.3% increase in private sector credit facilitated by a lower interest rate regime. This would be consistent with an increase in investment spending. However, commercial banks continued to charge loan rates averaging 45% during the quarter thereby maintaining a high interest rate spread. Foreign currency loans declined by \$573.7 million as borrowers hedged against possible exchange losses on foreign currency liabilities in light of the steady drift in the exchange rate since February 1997.

1.2 Interest Rates

Interest rates remained one of the main monetary policy tools used by the monetary authorities to support the attainment of the inflation target. With monthly inflation and the twelve month point to point measure declining for each month of the quarter, the thirty (30) day BOJ reverse repo rate held at 18% . Short term contracts at higher rates were used to correct any liquidity fluctuations within the daily base money management framework and to direct funds away from the foreign exchange market and back into domestic market investments. By June the reverse repo market offered contracts for maturities ranging from 10 -31 days at rates between 18% - 26%. The average yield on six (6) month GOJ treasury bills stood between 16.27% and 17.90% throughout the quarter compared to 18.13% - 22.25% which prevailed during the last quarter of the previous fiscal year. Commercial bank average deposit rates were consequently lowered, with rates on various maturities of time deposits actually below savings rates. Lending rates remained relatively high with the spread (difference between weighted average loan rate and weighted average deposit rate) increasing over the quarter.

Selected Interest Rates Q1 1997/98		%		
	April	May	June	
Treasury Bill Yield	16.27	16.74	17.90	
Reverse repurchases Rates	18.00	18.00	18.00- 26.00	
Average Maturity (Days)	30	30	10 - 31	
Commercial Bank Average Rates				
<u>Deposits</u>				
Six month	12.37	12.36	12.61	
One Year	11.30	11.19	11.59	
Savings Rate	14.62	14.22	14.08	
Lending Rate	46.14	44.78	44.94	

Recent Developments & Out-look For Q2

Provisional data for July indicate a 1.7% increase in private sector liabilities. The main component of growth was an increase in currency in circulation. This reflected seasonal demand arising from the long holiday weekend of July 31. Although BOJ open market operations absorbed \$2.5 billion during the month, this was not sufficient to stem the liquidity impulses arising from growth in the NIR, continued support to banks, as well as the purchase of some US\$ bond proceeds from Government. Consequently, the monetary base increased by 0.8%, of which the currency issue rose by 6.8%

During August , the BOJ continued its strategy of foreign exchange market intervention and aggressive open market operations in the process of achieving its objective of protecting the value of the domestic currency. Open market operations utilizing longer term reverse repos at premium rates were used to absorb excess liquidity .

Very preliminary banking system data for August, coupled with the out-turn in the monetary base has guided the forecast of a 0.3% growth in private sector liabilities during that month. There was no growth in the monetary base during August and with a targeted 5.1% reduction in September, the prospect is for a 0.7% contraction over the quarter.

The BOJ stands committed to achieving the macroeconomic objectives set for FY1997/98. Financial system developments would suggest that stability has not yet been restored in the foreign exchange market, as the US\$ average selling rate has moved within a band of J\$35.47 and J\$ 35.67 between July 31 and September 4. The domestic money market has also shown signs of excess liquidity with Government security offers being over-subscribed at some tenders.

In this regard, monetary policy measures have been enhanced. On August 27 the BOJ announced a one percentage point increase in the 30 day reverse repo rate, and a further 0.5% adjustment on September 8. This rate now stands at 19.5%, and the Bank has continued to offer longer term contracts at premium rates. Against the programme target of 2.4% growth, broad money is forecasted to decline by 1.0% during the second quarter. This forecast hinges on the monetary outturn so far, and on the deliberate tightening of daily base money for the rest of the quarter.

2.1 FOREIGN EXCHANGE MARKET

Flows

Since the beginning of the calendar year 1997, reported inflows in the interbank foreign exchange market totalled US\$1,678.85 million (up to September 5) at a daily average of US\$9.82 million. On a quarterly basis, total inflows for the first quarter was US\$657.77 million at an average of US\$11.34 million per day. Inflows to the market for January was relatively buoyant continuing a trend established the previous year. This buoyancy reflected portfolio shifts in response to relatively high interest rates, relatively low monthly inflation outturn which in turn lowered inflationary expectations, and expectations of exchange rate stability (or even a marginal appreciation). The period April to June saw inflows of US\$629.76 million, an average of US\$9.84 million per day. Since July 1, inflows have totalled US\$391.34 million, or a daily average of US\$7.52 million.

Up to February 28, the Central Bank's intervention in the market had been relatively minimal, selling a total of US\$12.0 million through its authorized dealers. However, due to increased demand pressure since the beginning of March, the Central Bank has sold US\$277.60 million into the market representing significant market intervention over an extended

period. While these sales have significantly augmented the supply of foreign exchange, the demand for foreign exchange has continued to rise sharply. The result of the Central Bank effort therefore has been an orderly adjustment in the exchange rate as opposed to the volatile and disruptive environment, which threatened.

Foreign exchange sales reported through the interbank market from January to date totalled US\$1,734.44 million, an average of US\$10.14 million per day. First quarter sales totalled US\$674.7 million (US\$11.63 million per day), second quarter sales total US\$653.46 million (US\$10.21 million per day); while third quarter sales to date total US\$406.29 million at a daily average rate of US\$7.81 million. Apart from the obligatory purchases from authorised dealers and cambios, the Bank of Jamaica has not purchased foreign exchange from the market.

Exchange Rate

During the first month of 1997, the Jamaica dollar had continued to show tendencies of appreciation vis-a-vis its U.S. counterpart, reaching a level of 34.7115 by January 31 from 35.0328 at the end of 1996. However, by February 7, the rate had slipped to 35.0350, which prompted the sales of foreign exchange to the market by the Central Bank over a four day

period (February 10-14). This action resulted in some stability in the exchange rate for a short period at the 35.00 level. However, by February 28, the Central Bank was again forced to re-enter the market, selling foreign exchange as demand pressure began to build.

Demand for foreign exchange had increased as investors reduced their holdings of Jamaica dollar instruments in response to a decrease in interest rates and some amount of uncertainty about the exchange rate (expectation of exchange rate depreciation). The seasonal demand for foreign exchange during the second and third quarters of 1997 (for re-insurance premiums, repatriation of profits, school fees and supplies, etc.) had exacerbated the situation and at present the pressure in the market remains high, with the official exchange rate for September 5 being US\$1.00 = J\$35.7025.

EXCHANGE RATE (US\$1.00 = J\$) END OF MONTH

March 1996	40.0169
April 1996	39.8841
May 1996	38.3635
June 1996	35.7257
July 1996	35.6734
August 1996	35.0040
September 1996	35.0715
October 1996	35.0470
November 1996	35.0981
December 1996	35.0328
January 1997	34.7115
February 1997	35.0386
March 1997	35.0751
April 1997	35.4638
May 1997	35.3835
June 1997	35.3731
July 1997	35.4716
August 1997	35.6164
September 5, 1997	35.7025

AUTHORISED DEALERS PURCHASES AND SALES
JANUARY - SEPTEMBER 1997 (US\$ EQUIV.)

	PURCHASES	SALES
January	219,571,274	222,604,490
February	188,390,002	193,558,500
March	249,800,270	258,522,639
April	245,274,511	265,869,133
May	229,737,078	234,694,376
June	154,731,070	152,899,442
July	196,627,250	202,626,748
August	158,812,291	169,065,842
September 1-5	35,904,173	34,599,642
	-----	-----
	1,678,847,919	1,734,440,812
	=====	=====

2.2 NET INTERNATIONAL RESERVES

The stock of Net International Reserves at August 31, 1997 stood at US\$589.7mn which represents a deterioration of US\$58.8mn against the March 31, 1997 position of US\$648.5mn.

TABLE 1

NET INTERNATIONAL RESERVES (1997/98) US\$MN

	March 1997	June 1997	July 1997	August 1997	Cumulative Change
NIR	648.47	563.92	569.38	589.70	+58.77
For. Assets	815.86	717.02	721.88	742.67	+73.19
For. Liabilities	167.39	153.16	152.50	152.97	-14.42
- IMF	144.89	130.66	130.00	130.47	
- Other	22.50	22.50	22.50	22.50	
Change		84.55	-5.46	-20.32	

KEY: + Denotes Deterioration
- Denotes Improvement

As shown in Table 1, the deterioration of US\$58.8mn in the NIR for the April to August period resulted from a combination of reduction in the assets of US\$73.2mn and a reduction in the Reserve Liabilities (all IMF liabilities) of US\$14.4mn. Table 2 highlights that the reduction in the assets occurred largely in the month of May. Heavy sales to the foreign exchange market (US\$99.5mn) during the month contributed to the sharp reduction in the assets.

OUT-TURN AUGUST 1997

Provisional data for August 1997 shows NIR at US\$589.7mn indicating improvement during the month of US\$20.3mn. Total receipts for August amounted to US\$123.9mn while payments amounted to US\$103.1mn. Contributing significantly to the build up in the total assets were proceeds from the US\$200.0mn Bonds while flows from authorised dealers and cambios combined totalled just US\$8.3mn or approximately US\$0.4mn per day. Total public debt payments amounted to US\$54.7mn while direct sales to the foreign exchange market totalled approximately US\$40.0mn.

OUT-LOOK FOR SEPTEMBER

Cash flow projections for September suggest that we are on track to end the quarter with a NIR of approximately US\$576.0mn which translates to gross reserve level of US\$724.0mn equivalent to twelve weeks and one day (12.1 weeks) of import coverage. This position inhibits and puts constraints on the Central Bank's ability to intervene in the Foreign Exchange market.

TABLE 2

WEEKLY CHANGE IN THE NET INTERNATIONAL RESERVES
APRIL 1997 - AUGUST 1997
US\$MN.

MONTH	MARCH	APRIL				MAY					JUNE				JULY					AUGUST			
DATE	28	4	11	18	25	2	9	16	22	30	6	13	20	27	4	11	18	25	31	8	15	22	29
N.I.R.	648.48	652.73	648.97	638.73	645.29	640.21	594.16	574.21	565.65	561.08	564.41	574.10	564.73	562.35	544.62	553.80	559.54	570.89	569.38	597.89	576.76	587.35	589.71
WEEKLY N.I.R. CHANGE		-4.25	3.76	10.24	-6.56	5.08	46.05	19.95	8.56	4.57	-3.33	-9.69	9.37	2.38	17.73	-9.18	-5.74	-11.35	1.51	-28.51	21.13	-10.59	-2.36
CUMULATIVE CHANGE		(4.25)	(0.49)	9.75	3.19	8.27	54.32	74.27	82.83	87.40	84.07	74.38	83.75	86.13	103.86	94.68	88.94	77.59	79.10	50.59	71.72	61.13	58.77

Overview

BACKGROUND

This 1996 report on the tenth round of the Jamaica Survey of Living Conditions (SLC) is a continuation of the series of reports providing data on conditions in Jamaica relating to demography, consumption, education, health, nutrition, housing (including utilities) and participation in selected welfare programmes. It describes living conditions in Jamaica in 1996 in particular, and from 1989 to 1996 in general.

The present document is the twelfth SLC report to date. Reports are available on the following surveys:

Round 1 (August 1988)	Mimeographed report (unpublished)
Round 2 (July 1989)	Descriptive report
Round 3 (November 1989)	Descriptive report + separate Standard Tables
Round 4 (November 1990)	Descriptive report + separate Standard Tables
Round 5 (November 1991)	Combined descriptive report and Standard Tables
Round 6 (August 1992)	Combined descriptive report and Standard Tables
Round 7 (November 1993)	Combined descriptive report and Standard Tables
Round 8 (November 1994)	Combined descriptive report and Standard Tables
Round 9 (May 1995)	Combined descriptive report and Standard Tables
Round 10 (May 1996)	Combined descriptive report and Standard Tables

In addition to the above series, in-depth studies have been conducted on various aspects of the SLC data collected. Further information on the availability of the output from these studies may be obtained from the Planning Institute of Jamaica.

In each round of the survey, with the exception of the first two, a particular sector or area of concern was selected for focus and expanded treatment. The areas of focus have been as follows:

Round 3	Health
Round 4	Education
Round 5	Housing
Round 6	Consumption
Round 7	Employment and Time Use
Round 8	(i) Experimental Consumption Modules (ii) Social Mobility
Round 9	The Aged
Round 10	(i) Child Fostering in Jamaica (ii) Consumer Satisfaction with Health Services

The Child Fostering Module was designed to capture information on the extent of the practice of 'fostering out' of children as a cultural norm within the society. It sought data on the reasons some children lived in 'other' households and on the characteristics of their parents. The module asked questions of both the household whose child was being fostered elsewhere and the household in which the foster child lived.

The other Special Module (Expanded Health) sought information from the consumers' perspective on the quality of health care services offered in the public and private health system. It also looked at the perceptions regarding the attitude of care-givers and the cost of health care.

Analysis of the Special Modules is usually undertaken in separate working papers and the data sets are generally available to social researchers and policy makers. Further information on these modules can be obtained from the Planning Institute of Jamaica.

Survey Sample

In 1996, the Survey continued to utilize the multi-stage stratified random sampling method to select dwellings and households in each Enumeration District (EDs). The direct interviewer method is the basis for response and incentives are given to interviewers based on the number of completed questionnaires.

To facilitate linkage and integrated analysis of the data collected, the sample dwellings for the Survey of Living Conditions (SLC) are selected as a random sub-set of the sample for the immediately preceding Labour Force Survey (LFS). Thus, one-third of the LFS sample dwellings were covered in SLC 88, SLC 89-1, SLC 90 and SLC 91, SLC 93, SLC 94 and SLC 95; and two-thirds of the LFS sample dwellings in SLC 89-2. To provide parish estimates in SLC 92, all LFS samples in ten parishes and two-thirds of the samples in Kingston, St. Andrew, Clarendon and St. Catherine were covered. Since 1992, no similar efforts have been made to facilitate parish estimates.

In the Labour Force Survey conducted in April 1996, the sample comprised 468 EDs drawn from 234 sampling regions, with 16 dwellings selected from each ED, a total of 7,488. For the SLC 96, conducted in May 1996, 78 sampling regions were selected from the 234 sampling regions using circular systematic sampling with equal probability of choosing each candidate starting region. From each selected sampling region, two EDs and 32 dwellings were chosen following the method of the April LFS. Thus, the sample for SLC 96 covered 2,496 dwellings.

In this context, it may be noted that the sample of 78 sampling regions were selected from all the 234 sampling regions in the country for SLC 93 to SLC 96, unlike some of the previous rounds in which the sampling regions were selected separately from each parish giving rise to rounding off errors in the parish proportions. Thus, in SLC 93 to SLC 96, no weighting will be necessary at the parish level to take account of the differences in sampling fractions.

Non-response usually results from refusals, closed and vacant dwellings, and data rejected in the cleaning process. The non-response rate for the 1996 Survey was 24.2 per cent, of which 7.9 per cent were refusals. This refusal rate was the third lowest recorded over the lifetime of the

Survey. Only one questionnaire was rejected, so the remaining 16.3 per cent were the results of closed and vacant dwellings.

Non-response re-weighting of the data was done for some EDs where violence made canvassing difficult or impossible. The usual adjustment for non-response is the construction of raising factors for EDs where this occurred.

The methodology for the 1996 Survey remained sound and consistent with international standards and with practice over the years.

In this Report

In the text of the descriptive chapters, references to lettered tables, e.g. Table A-1, indicate the Standard Tables while references to numbered tables, e.g. Table 2.1, indicate those formulated for and included in the chapters themselves.

Differences between values which are reported as being statistically significant have all been tested at the 0.95 level of significance. The data analysis was conducted with continued caution in the use of standard errors for significance testing, particularly where the sample size was too small to facilitate sound inference.

With 8 years of panel data available, this Report presents a fairly extensive evaluation of variations and trends in living conditions since the Survey was first fielded in 1988 and their implications for social policy. In many instances, however, problems of availability of data limit comparison to the years 1990 to 1996. Interpretation of the data is usually guided by the idea that the utility obtained from consumption is taken as the main indicator of human welfare, so a reduction in household expenditure is interpreted as a reduction in household welfare. However, this is supplemented by other indicators of well-being such as the conditions in health, housing, and education as indexed by schooling. In principle, improvements in all or most of these conditions would signal improvement in the general well-being of the society, with the greatest weight usually given to improvements in real consumption expenditure.

This basic interpretation is tempered by the knowledge that current reductions in consumption (that is saving) might be made deliberately by households or engineered by public policy with expectations of some reward in the future. The freed-up resources could be used to improve education, health, and other social infrastructure which collectively tend to boost the reliability, accuracy and speed of work, as well as to facilitate private investment, all for economic

expansion and increased consumption and general welfare in the future. Thus, in contrast to the other SLC indicators, changes in real consumption levels cannot be interpreted independently of changes in investment or investment potential. Especially important here would be information on the types of households which save and invest, and the extent to which the investment is proceeding in sectors in which the country has, or is creating, a competitive advantage.

The SLC provides indicators of some aspects of changing investment and investment potential through its analysis of education, health and housing. Data on other aspects, such as the loci of private saving and capital formation, must be sought elsewhere.

SUMMARY OF FINDINGS

Demography

The demographics of the country were very stable in 1996 and generally over the period 1990 to 1996. Continuing the pattern observed since 1990, mean household size (which had fallen dramatically between 1975 and 1990) tended to remain constant for the country and all the major subgroups analyzed with SLC data.

The proportions of households with 2-4 members and 5 or more members also tended to hold constant between 1995 and 1996 and for the decade to date, and the average household size remained at 3.8 persons, comprising 1.2 adult males, 1.3 adult females and 1.3 children. Mean household size remained largest in the Rural Areas and at 4.0 members, while in the KMA and Other Towns it was 3.7 members. Single member households continued to be more evident in the wealthiest quintile at 40.8 per cent and the two poorest quintiles generally continued to have higher percentages of households with 5 or more members. The mean household size of quintiles 1, 2 and 3, the quintiles which either contained the poor or households in the neighborhood of poverty, was approximately 5 in 1996 and has been at this level since 1990. Moreover, more than 70.0 per cent of households in these quintiles also tended to have households with more than 4 members. In contrast, less than 40.0 per cent of households in quintiles 4 and 5 had more than 4 members.

There was also no significant change in the distribution of households by gender of head. Approximately 43.8 per cent of households were females, not significantly different to the figures for 1995 and 1994, and females continued to head households which were generally of a larger mean size with more adult women and children than those which were

headed by males. Further, as was found in all the earlier rounds of the Survey, the proportion of households with females as head was highest in the poorest quintile and lowest in the wealthiest. When compared to male-headed households, a higher proportion of female-headed households also resided in the urban areas of the country and were among all age groups 55 years and over. The higher percentage of female-headed households among the elderly might be explained in part by the longer life expectancy of females.

The distribution of single gender households was much the same as when documented by the SLC for the first time in 1995. The significant findings on this variable are still that a smaller percentage of households contained only females, with 6.8 per cent of these being single member households, and that single member households were predominant in the two wealthiest quintiles.

With respect to the distribution of all respondents by region and consumption quintile, the pattern found in all Surveys continued to prevail with the Rural Areas having the largest proportions of respondents in the two poorest quintiles and the KMA having a majority in the wealthiest.

The more detailed analysis done in 1996 revealed an emerging tendency for the population to age moderately. Between 1995 and 1996, there were only random variations in the percentage of persons in all age groups. The working population 15-64 years was approximately 56.7 per cent of the population, not significantly different from that of 1995 and indeed not significantly different from the fraction for any year since 1991. At first glance, the data seemed to indicate that the fraction of the working population in the KMA declined significantly over the year, but this in not so since almost all of the change can be explained by higher non-response mostly due to violent events in the KMA during the survey period.

However, since 1991, the proportion of individuals 65 years and over has increased slowly from 7.3 per cent of the population in 1991 to 7.7 per cent in 1995 and 8.1 per cent in 1996, and is the fastest growing segment of the population at 2.0 per cent per year. The share of the aged in the total population also continued to be highest in Rural Areas for both males and females, as did the share of children 0-14 years.

A useful basis for evaluating the extent of the socioeconomic problem created by aging is the old age dependency ratio which defines the ratio of the elderly population to the population in the optimal economically productive ages of 15-64 years. With a constant fraction in

the working population, the old age dependency ratio crept up correspondingly from 12.7 in 1991 to 14.3 in 1996.

The emerging tendency for the population to age requires some careful recalibration of programmes to meet the needs of a growing population 65 years and above, most of whom are generally unable to support themselves fully on their retirement incomes. Nevertheless, there is no immediate imperative for this to occur through a shift of resources from efforts to prepare the young for gainful employment. In the final analysis, an adequately prepared and economically more productive population of working age is the surest way to improve the living standard of a growing population of dependent elderly persons.

The findings on various aspects of the size distribution of households suggest that in the design of social policy, especially poverty policy, it was appropriate in 1996 to continue using the social standard of the mean food-nonfood consumption structure to estimate the poverty multiplier and the household size of 5 to estimate the minimum food basket needed to escape poverty. The mean proportion of nonfood consumption is closely associated with that for households with 3.8 members, is not typical of poor households, and implies the application of a very reasonable non-poor social standard for estimating the poverty multiplier for 1990 to 1996. On the other hand, computation of the minimum standard food basket for the poor is based on the requirements of a family of 5. Since this has been and continues to be the typical size of households in quintiles containing the poor, it implies an estimate which continues to be reasonable and relevant to their needs. Moreover, as is also desirable in the light of the incidence of poverty, the estimates continue to be more relevant to rural households than to households in the KMA and Other Towns.

Consumption

The estimates of household expenditure in the Survey of Living Conditions is one way of monitoring changes in the level of household incomes and the level and structure of competitive survival initiatives as economic and social conditions change. Comparisons over time are generally meaningful after adjusting for inflation. Recall that the SLC is conducted in May-June of each year.

In the 1996 Survey, mean nominal annual per capita consumption expenditure, including the value of goods produced or received as gifts, was \$43,050.00, an increase of 21.2 per cent over the corresponding figure of \$35,522.00 for 1995. However, inflation between April-

June 1995 and April-June 1996 caused real consumption to fall by 7.8 per cent from \$7,793.00 in 1995 to \$7,230.00 in 1996. Thus, the steady recovery through 1995 from the marked decline in real consumption to \$6,030.00 in 1991 was halted and partially reversed in 1996.

Current estimates of inflation are based on revised weights (over those from 1984) developed for the CPI in 1988. Based on the SLC data, the CPI generally overestimated the weights for the nonfood consumption items, Housing, Home Furnishings and Furniture, Transportation and Personal Expenses. Since the SLC estimates of the relative quantities have been consistent over time, it seems timely to reconstruct the weights for the CPI. This is now being done using data from the recent Household Expenditure Survey.

The decline in per capita real consumption was evident and differentiated in all three geographical regions. It was stronger in the KMA and Other Towns where it fell by 10.1 per cent and 11.0 per cent, respectively, and milder in the Rural Areas where it fell by only 2.9 per cent. As a consequence, the Rural Areas continued their decade long tendency to gain consumption ground relative to the KMA. Their index of consumption increased from 77 in 1995 to 80 in 1996 while that of the KMA fell from 135 to 129. The emerging stronger relative position of the Rural Areas might be a result of growing mean income effects and improving distributive effects of investment in developing sectors such as entertainment and ecotourism as well as in education, health care and utilities. Further study of this important trend is clearly needed.

The reduction in real income in 1996 involved no significant change in the share of Food and Beverages in either nominal or real per capita consumption. Within the Food and Beverage group the most important adjustment was the decline in the meals away from home in each of the three geographical regions. There was a significant increase in the share of Housing and Household Operational Expenses in total non-food consumption expenditures, perhaps reflecting substantial increases in the real cost of renting and of utilities such as electricity and water. The share of nominal nonconsumption expenditures in total expenditures increased from 5.2 per cent of expenditures in 1995 to 6.2 per cent in 1996. The significance of this change, however, cannot be evaluated in the absence of real estimates. Non-consumption expenditures accounted for a significantly higher share of household expenditures in the KMA than in other regions and a smaller share for females than for males. The share also tended to increase with the quintile of consumption.

Regionally, real expenditures on Food and Beverages

changed very little between 1990 and 1996, but real expenditures on Housing & Household Operational Expenses and Transportation increased substantially, and showed the largest increases among all subcategories of expenditures in all three geographical areas. These expenditures also showed the greatest percentage increase in the Rural Areas.

Home production and gifts continued to account for about 6.0 per cent of total consumption in 1996, showing no significant change from 1995. Rural Areas also continued to be the region with the highest share of this form of expenditure (8.6 per cent) in the consumption budget.

The mean per capita consumption expenditure figures provide one view of the degree of inequity in the society. The mean per capita consumption expenditure for male-headed households was over \$10,000 higher than for female-headed households, representing an increase in the gap during the year from just over \$6,000 in 1995. The population quintile with the highest levels of consumption had a per capita consumption just under 7 times that of the lowest consumption quintile, representing very little change from the situation in 1995. Approximately 12.5 per cent of households were in the core poor group of quintile 1 and 15.1 were in quintile 2, showing no significant change from the corresponding figures for 1995. Similarly, approximately 55.1 per cent of all households continued to consume in the wealthiest two quintiles. Overall, even in the face of the general decline in mean per capita consumption during the year, the general level of inequity in the country maintained its downward trend. The GINI coefficient of consumption equality moved marginally from .3624 in 1995 to .3604 in 1996, this time mostly because of marginal gains in the share of consumption accounted for by households in quintiles 2, 3 and 4 at the expense of the wealthier. In 1995, some of the reduction in inequality was explained by improvement in the relative position of the poorest households; they made no similar gain in 1996.

Education

Some of the most interesting findings in the 1996 SLC relate to education. This year, to reflect international standards, the age group 17-18 replaced the previously used 17-19 group to represent the upper secondary level and the age group 19-24 replaced the 20-24 group to represent the tertiary level. Also, tertiary level enrolment was decomposed into University and Other Public and Private Tertiary Institutions. The distinction between enrolment and attendance was drawn more sharply. Regarding attendance, the relevant question posed in the education module was "During the last 5 school days how many days did ... [NAME] ... go to school?" Responses to this question are

better interpreted as the household's effort to send children to school since factors such as truancy, violence, illness, and road blockages can result in substantial differences between actual attendance and efforts to send children to school. All analyses by school type took account of the two newly created school types, Primary and Junior High schools and Junior High schools (of which there is only one).

The education data for 1996 indicate that some previous gains were consolidated and some improvements made in the education system. Access to Basic Education continued to be virtually universal. Enrolment of students in the 15-16 age group exceeded 85.0 per cent for the first time in the 1989-1996 period and tertiary level enrolment by students from the Rural Areas more than doubled over the year.

The significance of public guarantees of education was evident in the fact that 97.0 per cent of all students in the country were enrolled in public schools. Of the approximately 3.0 per cent of all students enrolled in private sector schools in 1996, enrolment was greatest among the children of the wealthiest consumption group.

The impact of the upgrading of All Age and New Secondary schools was evident in the shifting pattern of school type enrolment and was greatest on the children of the poorest consumption groups. Enrolment in Comprehensive High, Secondary High and Technical High schools by these children, increased by 25.0 per cent over 1995. Approximately 60.0 per cent of the students of the poorest consumption group were enrolled in All Age, Primary and Junior High (Grades 7-9) and New Secondary schools but this rate was 18.3 per cent less than in 1995 and was the result of the school upgrading component of the ROSE project. Some All Age and New Secondary schools were upgraded to Primary and Junior High schools and Comprehensive High schools, respectively. Efforts by the ROSE programme seem to be yielding the desired results but evaluations must be done and initiatives undertaken to ensure that the qualitative changes proposed are in fact realized.

The rate of enrolment in Vocational/Agricultural institutions increased across all consumption groups between 1995 and 1996, with the rate of increase of the poorest consumption group being the highest.

Consistent with all previous Surveys of Living Conditions, enrolment of 3-5 year olds in 1996 differed by geographical region. The enrolment rate of children from Other Towns has been declining steadily since 1993 and should be investigated, perhaps urgently. The mean absolute difference of rates of enrolment among the regions

is approximately 2.1 and indicates that the rates of enrolment in the three regions, for this age group, are closer to each other than at any time since 1990.

The data this year suggest the existence of school-based feeding programmes driven by initiatives set up outside of the SFP. These came into being in order to fill the gap created by the SFP's inability to provide an efficient service and resulted in a significant increase in participation by students in all regions, consumption quintiles and school types. In other years, students from the Rural Areas had the highest rate of participation in school-based feeding programmes. The KMA recorded the highest in 1996. It is worth noting the association of this change with the recent tendency for the Rural Areas to record more improvement in consumption expenditures across all households than in the KMA and Other Towns but the change must be carefully studied. Poverty continues to be most severe in Rural Areas and the data for the years 1993 and 1994 reveal a tendency for participation rates to fall when school-based feeding programmes are inadequately supported.

Mean Real Expenditure on Tuition and Fees and Contributions was 8.5 per cent less than in 1995 and Mean Real Expenditures on Books, Uniforms, and Other Supplies also fell. The Government's Financial Assistance Programme continued to provide assistance to financially needy students. More students of the poorest consumption groups and the Rural Areas received assistance so targeting appeared to be good.

In spite of these gains, there were significant areas of continuing concern. Enrolment of the early childhood age group (3-5 year olds), at 83.0 per cent, was not sufficiently high relative to desired levels. Differences among students in early childhood education by welfare status were stark, highlighting the urgent need for more work to promote the value of this level of education and for continued support for universal accessibility. Enrolment of students in the 15-24 age groups also continued to be unacceptably low. As in all previous SLC surveys, poverty and non-enrolment were directly linked, highlighting the need for more social programmes at the upper secondary level and the immediate relevance of the ROSE Project. Low rates of enrolment by the 20-24 years age group indicate possible emergence of an important bottleneck to constrain the country's growth and development efforts.

Households' efforts to send children to school, at 79.0 per cent, were unacceptably low relative to targets. Judged against the background of poor performance in some critical subject areas, especially by males, this is especially worrying. The best efforts at sending children to school

were by households with children enrolled in Secondary High schools. Other relatively good rates were achieved by households with students attending New Secondary, Comprehensive High and Technical High schools. Even for these groups, however, household efforts tended to be well below 90.0 per cent for most of the period and should be improved through initiatives at both the level of the household and the level of the state.

Compared with 1995 data, absenteeism declined for both boys and girls. However, in 1995 and 1996 a distinct tendency emerged for the efforts to send girls for the entire 5 day reference period to exceed efforts to send boys to school. Moreover, household efforts to send boys to school declined substantially in both years. Other national attendance data also show girls with better attendance rates than boys.

Survey results also reveal that more than one-half of the Out of School population belonged to the poorest consumption groups and were males. These may be early signs of an emerging problem of poverty and undesirably low social mobility for males which perhaps could now be confronted in a timely manner by the National Poverty Eradication Programme.

The cost of Transportation and Lunch and Snacks increased over the year and the data on Tuition and Fees changed in such a way as to suggest the inclusion of expenditure on contributions. The fraction of such expenses in the total have generally remained relatively low for all groups of students but official policy discourage them.

Perhaps the most significant finding on education for 1996 was about expenditure on Extra Lessons. Real mean expenditure on Extra Lessons exceeded that on Tuition and Fees and Contributions, signifying the extent to which households are willing to support the Extra Lessons industry. A private school system providing Extra Lessons is clearly emerging alongside regular schooling, perhaps partly to buffer some of the deficiencies in the regular education system and partly as a normal expression of entrepreneurship in the country. Such private enterprise is obviously consistent with the spirit of the structural adjustment and economic development programmes and should be carefully evaluated for appropriate social, education and economic policy supports.

Health

This year, the analysis takes fuller account of the fact that the SLC provides a unique serial view of health conditions from 1989 to 1996. This feature allows planners to monitor

changes in health conditions over time, evaluate relevant socioeconomic policies and programmes, and make adjustments in the light of outcomes.

In 1996, the general health indicator of the country, the number of self-reported illness/injury, indicated improvement in the general health status of the country in 1996, continuing a trend evident since 1989. These conclusions are supported by the indicators of the severity of illness, the rate at which those who report illness/injury also report conditions beginning before the four-week reference period of the Survey, the mean number of days of illness/injury and the mean number of days restricted from normal activities.

However, the indicators of severity suggest the need to be cautiously optimistic since the tendency to decline is not uniform on all indicators of severity. Indeed, while the other indicators declined, there was a steady increase in protracted conditions since 1994. This might be pointing to an increase in the prevalence of chronic diseases and the need for new relevant prevention policies. The most significant improvements were in Rural Areas and Other Towns. Nevertheless, the Rural Areas reported the highest percentages of individuals with illness/injury and the highest proportions of these with severe illness/injury. With respect to gender, the patterns were also similar to the national trend, but with the rate of illness/injury for women generally higher than that for men. Comparison of the consumption quintiles reveal that the reduction in reported illness/injury was greater for respondents from the poorest consumption quintile than for respondents from the wealthiest consumption quintile. Among age groups, the elderly above 60 years accounted for most of the improvement in the index over this period. In general, the data indicated that the 'at risk' health groups in the Jamaican population continued to be mostly individuals from the Rural Areas, women, children 0-4 years and individuals 65 years and over.

In 1996, over 50.0 per cent of the ill/injured sought medical care for their reported conditions mostly from private providers. Primary health care services continued to be the highest utilized level of care. Despite the preferred use of private sector care, there was an increased use of public sector providers for both visits and drugs between 1995 and 1996. This can be attributed to the success of the Ministry of Health's (MOH) effort at increasing the efficiency of delivery of better health care services over the period.

In the Rural Areas up to 66.0 per cent of the health care seekers used private sector care providers. This coincided with reports of shortages of public sector health care services in the Rural Areas during the year, due mainly to

shortages of health care personnel. Responding to such imbalances, Government continued to implement programmes that increased the equality of access to health care services by individuals in all geographic locations.

Significant inequality of access to needed health care services persisted between men and women and across consumption quintiles. Individuals 65 years and over, generally a very vulnerable population group because of adverse financial circumstances during retirement and adverse health conditions, faced increased risks from the inefficiencies in the operation of the MOH's drug windows due to staff and supply shortages. In response to this problem, the Jamaica Drug Elderly Programme (JADEP) was launched in August, 1996, to improve access to much needed drugs to the elderly at low cost and hence to increase their access to receive treatment for diseases such as hypertension, diabetes, arthritis, glaucoma and asthma.

During the year, there was a significant decline in mean patient expenditure on drugs from the public sector drug windows which might be attributed to the promotion and introduction of the use of the cheaper generic drugs by the Ministry of Health. Health Insurance coverage continued to be low particularly for the poor, the residents of Rural Areas and the elderly. This, coupled with high health care costs to these vulnerable groups, led to the formulation of a draft proposal for a National Health Insurance Plan during the year.

Levels of undernutrition were low by all indicators. When analyzed by the regional classifications of the survey, the geographic pockets of undernutrition reported by health officials in the past were not evident. Differences in the levels of undernutrition by population groups such as age, sex and consumption quintile were also not evident. These suggest that Jamaica is close to achieving its goal of less than 4.0 per cent undernutrition by the year 1998 and the elimination of malnutrition by the year 2000. Nevertheless, the country should maintain its vigilance as a condition for ensuring that these problems do not reemerge.

Food Stamp Programme

The analysis of foodstamp data for 1996 was extended to include an evaluation of the level of benefits by category of beneficiaries, the level of leakage, the level of education of beneficiaries, and the degree of dependence by category of beneficiaries. As before the analysis identified the percentage of the target group who received benefits, that is the coverage of the program. Leakage defines the percentage of beneficiaries who are not in the target group. Also, unlike in previous rounds, the 1996 module was adjusted to collect data on individuals and thereby better

reflect official targeting, so the analysis was conducted mainly at the level of the individual.

In 1996, there was no significant increase in the percentage of individuals who received assistance from government in the form of foodstamps. In fact, this percentage has generally stabilized at approximately 7.0 per cent since 1991 following efforts by the MOLSS to clean the rolls and improve coverage and targeting. The pattern also continued of a higher percentage of eligible children in Rural Areas receiving food stamps. A higher percentage of stamps also continued to go to children in lower quintiles. Since 1990, the proportion of eligible children receiving stamps increased noticeably in all regions and in all quintiles. Coverage of eligible Pregnant/Lactating Women continued to be quite low and changes have been introduced in the registration process to facilitate improved delivery of services to this group of beneficiaries.

In general, the Food Stamp Programme continued to target the poor with reasonable success. The poorest quintiles accounted for 58.0 per cent of beneficiaries in 1996 while the wealthiest quintiles accounted for 22.1 per cent of the beneficiaries, an increase of 4.6 percentage points over the figure for 1995. Some under-registration seems to persist in some categories and it might be desirable to adjust the categories, targets and quotas in the light of the needs of individuals.

Regional targeting continued to be very successful, but in 1996, the percentage of foodstamps going to individuals in Rural Areas fell relative to that in 1995 and over the period 1989-1996. Much of the redistribution was to the KMA. Some of this was the result of efforts by the MOLSS to recruit poor individuals from this urban centre.

Foodstamps continued to be an important source of income for households in the poorest consumption quintile and low levels of academic education. However, the mean level of dependence on stamps is declining. The proportion of foodstamps in the total expenditure of the poorer quintiles declined to just over 1.2 per cent in 1995 but increased in 1996 to over 3.0 per cent.

A significant number of recipients continued to complain about problems with the programme, such as direct cost of travel, waiting time, stigma and other inconveniences to the recipients, especially the elderly and the heads of very poor families. Recipients were very conscious of this erosion and many considered the value of issued stamps to be much too low. This problem has recently been addressed with an increase in the value of stamps for the 1997-1998 budget year. Some of these problems might also be addressed by

improving the level of coordination and information sharing among the agencies executing various aspects of social welfare policy.

Housing

The housing stock and general housing conditions continued to improve in 1996. Apartments and townhouses accounted for the largest percentage increase in the share of any single housing type. These accounted for 3.3 per cent in 1996 and, like Townhouses, are used mostly by the wealthy and have their greatest concentration in the KMA. The share of detached housing continued to decline and to be used mostly by households in the lowest consumption quintile. Perhaps because of perceptions about quality, most houses continued to be built of block and steel. Moreover, as household income increased, so did the consumption of block and steel at the expense of wood.

In 1996, the majority of Jamaicans owned the house in which they lived but the percentage of owner-occupied units continued to decline while the percentage of rented and rent-free units increased. As was indicated in previous SLC Reports, a higher percentage of households in the poorest quintile owned their units than in the upper quintile, while a higher percentage of households in the upper quintiles rented their homes. The proportion of owner-occupied housing was highest in the Rural Areas and the proportion of rented housing was highest in the KMA though the latter has been declining since 1991 even as rental rates have been increasing. The steady decline in rental units is due mainly to conversion of residential properties to commercial uses as landlords seek to earn higher incomes. This is likely to be an effect of the Rent Restriction Act but should be studied more closely before a definitive conclusion is drawn about its cause.

Two important indicators of the condition of the housing stock are the adequacy of water and sanitary services. There was little change in the proportion of households having toilet facilities between 1990 and 1996 and the general advantage of KMA households was maintained. However, since 1990 ownership of flush toilets has been improving among households in the Rural Areas. In some Rural Areas, the use of 'dry toilets' is a viable option when other factors such as the cost of linking to a central sewer system is considered. Within Other Towns, ownership of flush toilets has been declining since 1990 and continued to decline in 1996.

The percentage of dwellings enjoying piped water increased from 61.2 per cent in 1990 to 66.8 per cent in 1996 and there was an overall reduction in the number depending on

river/pond and rain water. The indicators revealed that improved availability of piped water was accompanied by substitution of public piped water with private piped water. The Rural Areas were the most disadvantaged in terms of access to water supply but there has been steady increase in the provision of piped water supply in Rural Areas, rising from 33.2 per cent in 1990 to 42.9 per cent in 1996. However, despite this increase, more than one-half of rural dwellings did not enjoy this facility and much remains to be done to improve the rural water supplies in conjunction with improvements in rural housing amenities.

As the national electrification programme continued apace, the use of electric lighting increased in 1996, continuing a trend evident since 1991. There was a corresponding decline in the proportion of households using kerosene. The use of kerosene was highest among rural households; it was the main source of lighting for 31.1 per cent of rural households. Also, the percentage use of kerosene was highest among the poorest households but declined substantially in 1996.

As indicated by rents and expenditures for utilities, the real cost of housing and related services increased in 1996, continuing the general trend since 1990. However, it should be noted that since 1992, real expenditures for electricity have declined. It is also important to note that this was felt most by the poor. In 1990, the poorest quintile paid 50.0 per cent more for electricity than the wealthiest quintile. By 1993, this gap narrowed to 13.8 per cent and by 1996 the mean amount spent by households in the poorest quintile was 69.1 per cent of that spent by the wealthiest.

To ease the problem of comprehending the implications of all data on the trends in housing conditions in the country, a Housing Quality Index (HQI) was constructed using summary data on housing for the period 1990 to 1996. The indications from this index are that between 1995 and 1996 the HQI improved from 62.4 to 64.8 and there was steady improvement in housing conditions between 1990 and 1996 as the HQI moved from 59.2 to 64.8.

It should nevertheless be noted that some of the more crucial elements in the index, namely exclusive use of flush toilets and indoor taps, are still poor for more than one-half of the households in Jamaica. Continued effort is needed to improve the level and quality of the housing stock and the general conditions of housing in the country.

Highlights

One highlight of the findings for 1996 is the evidence that Extra Lessons has become a major component of the

domestic education and economic system. It generally accounts for a larger share of the household budget than do Tuition Fees and Contributions, and seems to be a significant thrust to indigenous privatisation of education in the country. This developing system is now sufficiently important to command the attention of policy makers. It should be further investigated and carefully interpreted as the basis for designing appropriate initiatives which can complement projects such as ROSE. Another finding to be highlighted is that even as the health condition problems continued to improve and undernutrition among infants was more or less wiped out, there are emerging signs that chronic but preventable diseases are increasing in the population. The third highlight is the compelling evidence that even as the population ages moderately, young males, especially those in lower income groups, have become a high risk group in the society, facing high prospects of poverty and social immobility in the immediate future. Social policy makers must move urgently to take these findings into account. The fourth significant finding is that the level of inequality remained stable over the period despite adverse movement of the general level of consumption-related well-being and a fifth is that the moves to recompute the weights for the consumer price index are timely in the light of persistent indications from the SLC data that the current weights are no longer appropriate.

Perhaps the most striking finding, however, is the reduction of mean real consumption during the year to a level above that for 1991 but below that for 1989. All social groups were negatively affected. This reversal of the trend for the 1990s seems to have been the result of inflation induced by policy initiatives to suppress demand and protect the balance of payments and exchange rate from emerging consumption demand pressures while creating an environment of low inflationary expectations to favor investment. Any associated shift of real incomes to favor profits *may* have been unintended. Of course, the documented reduction in real consumption, even among the vulnerable, is not inherently a social problem unless the implied investment is inefficient and the future social (rate of) return inadequate. The prospect of an inefficient process is real and implies the need for review of the relevant policy mix. In the long run, the policy would facilitate increased consumption at an optimal rate through growth of national income only if the nexus of savings, investment and international competitive capacity in the economy is favorable. As the results of the policy initiatives of 1991 to 1995 might have revealed, a favorable nexus need not exist at present and the policy (review) should take account of that possibility.

Table 1
Aggregate Indicators, 1986-1996

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Real GDP Growth (%)	1.6	7.8	2.9	6.8	5.5	0.7	1.5	1.4	1.1	0.5	-1.7
Aggr. Labour Productivity Index	100.0	103.1	102.5	109.8	112.7	112.1	114.1	115.5	109.7	110.5	109.2
GFCF/GDP	17.5	21.3	25.0	27.9	27.4	26.2	31.1	32.2	31.0	...	...
ICOR (net of depreciation)	8.5	1.3	3.4	2.7	3.9	18.4	15.4	23.4	22.7	...	...

Source: Calculated from data of STATIN, *National Income and Product*, and PIOJ, *Economic and Social Survey Jamaica*; various years.

Notes: Labour Productivity Index measures real output per worker (1986=100)

GFCF/GDP = ratio of gross fixed capital formation to gross domestic product

ICOR = incremental capital output ratio (net of consumption of fixed capital)

Table 2
Indices of Labour Productivity, 1986-1996
(1986 = 100)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Goods Producing Sectors	100.0	100.6	102.6	118.0	136.4	135.2	135.3	145.2	142.4	139.1	140.5
Agriculture, Forestry, Fishing	100.0	105.4	107.4	101.7	117.2	115.1	128.0	157.9	165.1	171.4	181.8
Mining	100.0	102.5	97.9	124.4	135.8	202.6	173.6	129.6	158.9	143.8	171.8
Manufacturing	100.0	88.6	90.3	98.7	126.8	128.1	126.1	129.2	129.8	119.7	121.0
Construction	100.0	94.0	93.6	91.9	90.1	88.6	87.6	83.0	69.3	68.1	60.3
Services Producing Sectors	100.0	105.8	101.5	106.8	99.4	100.5	107.5	104.9	108.1	109.8	110.6
Aggregate	100.0	103.1	102.5	109.8	112.7	112.1	114.1	115.5	109.7	110.5	109.0

Source: Calculated from data of STATIN, *National Income and Product*; and PIOJ, *Economic and Social Survey Jamaica*; various years.

Table 3
Indices of Hourly Wages, Unit Costs, and Productivity
in the International Clothing Industry

	Country	Index of Wages	Index of Unit Costs	Index of Productivity
1	Taiwan	420	143	294
2	Hong Kong	380	130	292
3	Slovenia	240	120	200
4	Tunisia	200	117	171
5	Mexico (US border region)	180	123	146
6	Morocco	140	113	124
7	Poland	140	100	140
8	Sri Lanka	120	130	92
9	Czechoslovakia	120	87	138
10	<i>Jamaica</i>	<i>100</i>	<i>100</i>	<i>100</i>
11	Malaysia	100	97	103
12	Estonia	80	97	82
13	Dominican Republic	60	107	56
14	India	40	107	37
15	Viet Nam	40	93	43

Source: Calculated from data in *World Investment Report*, United Nations, 1994.

Table 4
Comparison of Crop Yields: Jamaica and Developing Countries

Crops	Yields (kgs./hectare)		Ratio: Developing Countries/ Jamaica
	Jamaica	Developing Countries (Average)	
Carrots	7,190	17,213	2.39
Onions	7,143	11,007	1.54
Tomatoes	9,019	16,860	1.87
Cabbage	9,655	17,253	1.79
Potatoes	9,211	12,990	1.41
Coffee (green)	436	518	1.19
Sugar Cane	50,094	57,611	1.15

Source: Winrock International, Report on the Sustainability Assessment of the Jamaica Agricultural Research Programme, Jamaica Agricultural Development Foundation, 1992.

Table 5
Labor-Productivity, Employment Share, and Output Share
by Sector and Sub-Sector (Average, 1992-1994)

	Labor Productivity J\$'000	Employment Share (%)	Output Share of GDP (%)
I. GOODS	20.26	42.83	44.57
Agriculture, Forestry, Fishing	5.88	25.10	7.43
Mining and Quarrying	239.49	0.73	9.00
Manufacturing	34.53	10.80	18.77
Construction and Installation	27.04	6.87	9.43
II. SERVICES	24.31	55.47	68.77
Electricity, Gas, and Water	167.19	0.50	4.47
Transport, Storage, and Communication	49.98	4.23	10.80
Finance, Insurance, Real Estate and Business Services	83.04	4.90	20.97
Wholesale & Retail, Hotels & Restaurant Services	24.18	20.43	25.13
Community, Social, and Personal Services	5.72	25.43	7.33
Less: Imputed Service Charges	-	-	13.33
AGGREGATE	19.69	100.00	100.00

Source: Calculated from data of PIOJ, *Economic and Social Survey Jamaica*, various years.

Table 6
Sectoral Indicators, 1993

Sectors	Sectoral Share of GDP %	Sectoral Share of Aggregate Exports %	Sectoral Share of Aggregate Wage Bill %	Share of Sectoral Wages in Sectoral GO %	Share of Sectoral Exports in Sectoral GO %	Annual Avg Growth Rate of Sectoral GDP (91-95) %
Export Agriculture	1.00	1.41	2.38	28.48	14.95	-0.99
Domestic Agriculture	5.66	1.17	4.97	22.66	4.71	10.68
Bauxite/Alumina	6.37	40.93	3.75	10.04	97.12	0.69
Manufacturing	18.53	27.79	17.40	10.96	15.49	-1.95
Textile	0.05	0.11	0.10	20.13	20.18	11.97
Apparel	0.94	10.34	1.54	16.83	100.00	
Food Processing	6.80	10.8	7.32	11.13	14.53	-2.33

Source: Calculated from data of STATIN.

Note: GO = Gross Output

Table 7
Distribution of Firms by Size and Sector/Sub-Sector, 3-Way Comparison:
All Jamaica, Approved Exporters, Provisional Exporters

Sector/Sub-sector	Distribution of Firms, by number of employees and by Sector/Sub-sector (Percent of Firms)								
	All Jamaica*			Approved Exporters**			Provisional Exporters**		
	Percent of total firms	Size Distribution		Percent of total firms	Size Distribution		Percent of total firms	Size Distribution	
		10-49	50+		1-49	50+		1-49	50+
Mining	0.3	42.9	57.1	1.3	40.0	60.0	1.3	50.0	50.0
Manufacture	37.0	70.6	29.4	78.3	49.2	50.8	65.4	86.3	13.7
Food, Beverages & Tobacco	9.9	62.4	37.6	19.4	63.5	36.5	30.9	94.6	5.4
Garments, Textiles & Leather	7.5	63.6	36.4	23.8	23.1	76.9	10.6	62.5	37.5
Wood & Wood Products	3.9	85.9	14.1	4.7	55.6	44.4	1.7	100.0	0.0
Printing, Publishing & Allied Ind.	3.3	78.1	21.9	3.1	58.3	41.7	3.0	44.4	55.6
Chemicals, Petroleum, Rubber & Plastics	4.1	62.6	37.4	15.2	58.6	41.4	7.3	90.9	9.1
Non-Metallic Minerals, Pottery & Glass	2.2	83.3	16.7	1.3	40.0	60.0	1.3	100.0	0.0
Metal, Metal Products, Machinery & Equipment	5.0	77.1	22.9	6.8	50.0	50.0	5.6	82.4	17.6
Other Manufacture	1.1	91.7	8.3	3.9	86.7	13.3	5.0	100.0	0.0
Utilities	0.1	0.0	100.0	0.5	0.0	100.0	0.3	0.0	100.0
Construction	5.5	87.5	12.5	0.5	50.0	50.0	0.0	0.0	0.0
Distributive Trade	29.2	82.8	17.2	10.5	72.5	27.5	7.0	81.0	19.0
Transportation, Storage & Communication	6.7	78.9	21.1	2.1	87.5	12.5	20.3	95.1	4.9
Financial, Legal & Business Services	12.8	64.8	35.2	4.7	11.1	88.9	4.0	50.0	50.0
Other Services	8.5	86.6	13.4	2.1	62.5	37.5	1.7	80.0	20.0
All Sectors	100.0	76.1	23.9	100.0	50.5	49.5	100.0	85.4	14.6

Source: D. J. Harris (1997).

Notes: (1) * Calculated from data-base of STATIN (for March 1995, excluding Agriculture, Government, Free Zones).

(2) ** Calculated from data-base of JAMPRO (for November 1995, adjusted to exclude Agriculture).

(3) Percentages may not add up due to rounding.

Table 8
Approved Exporters: Distribution of Firms by Sector, Employment, and Size

Sector	Number of firms	Percent of total firms	Percent of total employment	Avg. no. of employees per firm	Distribution of Firms, by number of employees (Percent of firms in sector)						
					1-25	26-50	51-100	101-200	201-300	301-600	> 600
Agriculture, Forestry & Fishing	112	23	9	52	67	12	10	9	1	0	2
Mining	5	1	2	271	20	20	20	20	0	0	20
Manufacture	299	61	64	147	31	18	20	13	6	9	3
Utilities	2	0	3	931	0	0	50	0	0	0	50
Construction	2	0	2	591	0	0	0	0	0	0	0
Distributive Trade	40	8	3	53	60	13	15	5	3	5	0
Transportation, Storage & Communication	8	2	2	179	75	13	0	0	0	0	13
Financial, Legal & Business Services	18	4	15	591	0	11	22	11	22	11	22
Other Services	8	2	1	44	50	13	25	13	0	0	0
All Sectors	494	100	100	139	41	16	17	11	5	6	4

Source: D. J. Harris (1997). Calculated from data-base of JAMPRO (for November 1995).

Note: Percentages may not add up due to rounding.

Figure 1: Indices of Labour Productivity, 1986 - 1996
Aggregate, Goods, Services (1986 = 100)

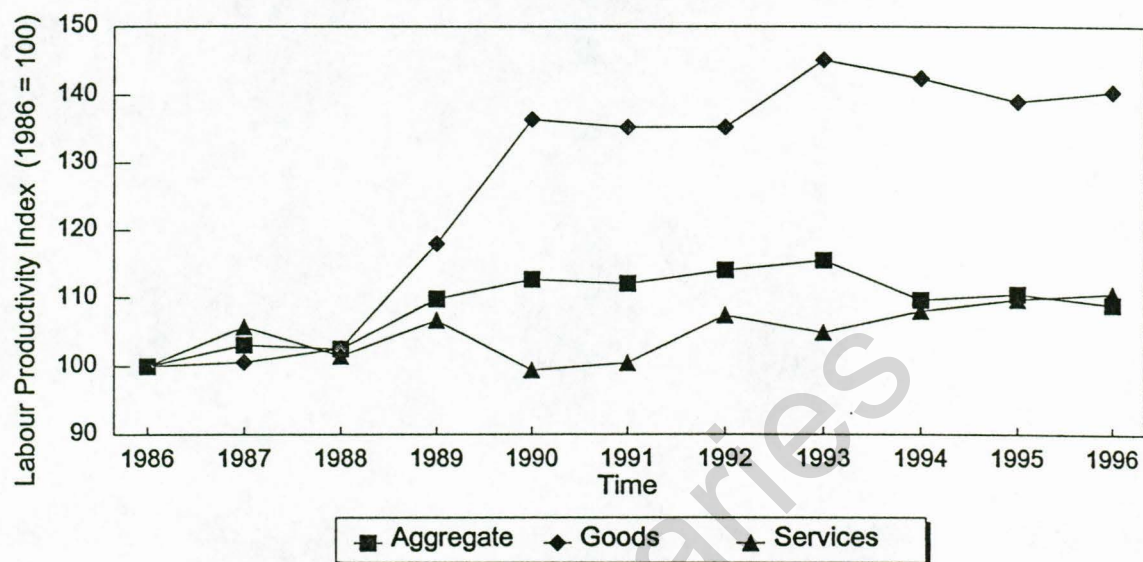
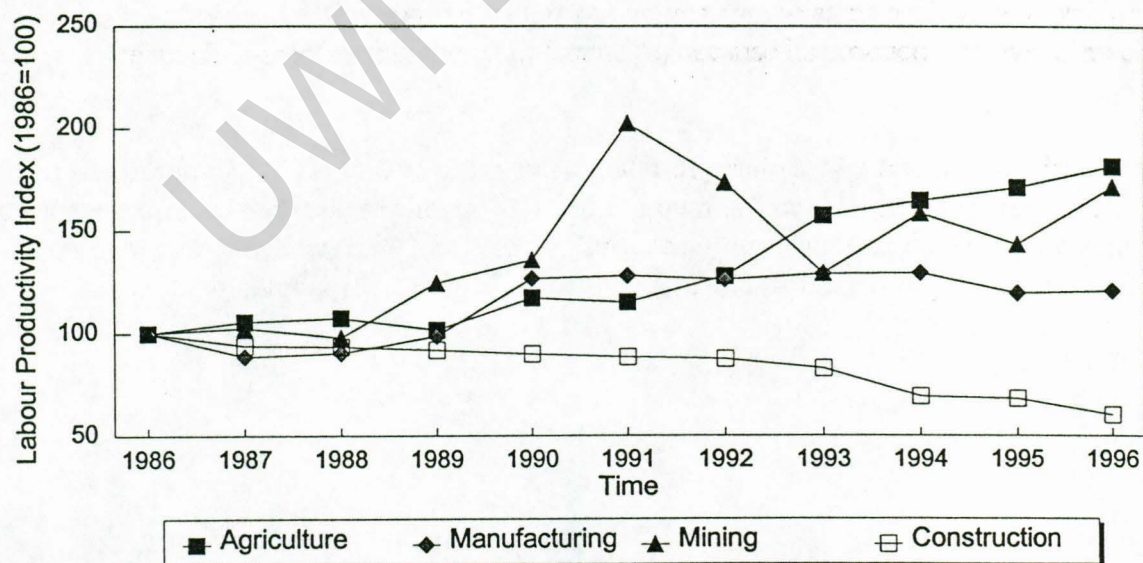


Figure 2: Indices of Labour Productivity, 1986 - 1996
Agriculture, Manufacturing, Mining, Construction (1986 = 100)



A Vision for the Financial Sector

Section I of this paper contemplates a vision for the financial sector in the year 2010. The vision is at once ambitious and realistic. It expects that in 10 – 15 years, the financial sector will be an explicit product of the financial policies that we set today. The vision concedes, however, that the financial sector's outcome will also be highly contingent on the performance of the full range of Jamaica's economic and social variables.

Section II sets forth key issues that call for action (i) on the regulatory front as government seeks to ensure the security of the public's savings and the efficient allocation of its capital, and (ii) by financial entities as they strive to remain competitive and to maximise profits. The vision for 2010 depends upon the effective resolution of each of these issues.

I. The Configuration and Penetration of the Financial Sector in 10 - 15 Years

A vision for the financial sector is best viewed from a functional perspective. This approach asks the following questions:

- (i) What functions must the financial sector be able to perform?
- (ii) How well does the financial sector perform these functions?

In 10 – 15 years Jamaica's financial sector should be capable of satisfactorily performing each of the following functions:

- facilitating the system of payments for goods and services (e.g. current accounts and credit cards);
- facilitating the holding of claims to wealth (e.g. certificates of deposit);
- intermediating between risk averters and risk acceptors (e.g. general insurance policies);
- facilitating the trade in claims to wealth (e.g. trading in stocks and bonds);
- managing claims to wealth (e.g. pension funds);
- facilitating cross-currency transactions (e.g. create forward markets for foreign exchange users);
- facilitating household and commercial consumption smoothing or the matching of consumption and income flows (e.g. consumer loans and credit cards; working capital finance); and
- sourcing capital for long and medium term productive sector investment (e.g. development loans)

A. Configuration of the Financial Sector.

The optimal institutional configuration of the financial sector, if it is to perform its functions at minimal cost, is never static. The right number of institutions, the right size of institutions,

the right scope of institutions and the right ownership, control and capital structure of institutions necessarily depend on the traditional factors that determine the supply structure of any service (such as economies of scale, economies of scope and technology).

Unlike other service sectors, however, the institutional configuration of the financial sector is also constrained by the regulatory capacity of the state. As such, in both developed and developing economies, the correct institutional configuration of the financial sector tends to be the subject of intense and ongoing debate. This will no doubt continue to be true in 10-15 years.

Today, the institutional configuration of Jamaica's financial sector is not in equilibrium with its regulatory capacity. Financial institutions are numerous, varied, complex and opaque. Regulatory entities are uncoordinated, have uneven capacity and competence, and rely on weak or ill-defined enforcement powers. The challenge for the next 10-15 years is to forge an equilibrium. This requires movements on two fronts: (i) movements toward a more manageable institutional configuration, and (ii) movements toward an improved regulatory structure. A more manageable institutional configuration is likely to have the following characteristics:

- **No single institution will be “too big to fail” simply by virtue of its accumulation of active investments in non-core assets.** In the immediate term, this will require the separation of financial sector entities from their non-financial affiliates, and a FINSAC divestment policy that avoids the sale of financial institutions to non-financial sector conglomerates.
- **Financial sector entities will only be permitted to invest the public's savings with affiliates on an arms' length basis.** This “transfer pricing problem” is difficult to police in an environment of interlocking directorates, and entangled corporate structures. In the immediate term, the disaggregation of conglomerates involving financial sector entities is required. Ultimately, transparent structures that allow for effective regulation of the intra-group exposures of financial sector entities within non-financial conglomerates may be permissible.
- **There will be limited opportunities for regulatory and taxation arbitrage (a means of avoiding regulatory controls on particular entities and tax discrepancies between entities by parking the irregular or high-tax activities of an entity within a sister company that faces a different regulatory environment).** In the immediate term this may require the breaking-up of companies under common control that have activities that cut across banking, securities and insurance related functions. Only with a regulatory structure that can coordinate across the insurance, securities and banking sub-sectors, will the financial networks that arose in the last 15 years be again appropriate and permissible.

B. Optimal Penetration of the Financial Sector.

The degree of penetration of Jamaica's financial sector is integral to its capacity to successfully perform. In relation to the island's level of development, Jamaica's financial sector is already substantial (if not over-developed). The challenges for the upcoming 10 – 15 year period therefore include the following:

- **Ensure the effective distribution of savings mobilization and loan opportunities to under-served constituencies such as the rural areas, the informal sector and long-term investors in the manufacturing sector.**
- **Ensure that the financial sector continues to grow at a rate that neither trails nor outpaces population and GDP growth and the attendant changes in the demand for savings, investment and productive capacity.**

C. A Globally Interconnected Financial Sector.

It is widely documented that several money center commercial banks have renewed their commitment to the global expansion of their brands at the retail level. Citibank, for example, has made its commitment public--at least with respect to Jamaica. This effort is supported by the following facts:

- There is an increased appetite for emerging market debt by money center investors.
- Greater global trade and financial flows enhance the benefit of banking with international banks.
- Greater reliance on technology increases the economies of scale associated banking and creates efficiency benefits for entities of international scale.
- Global financial sector entities are able to facilitate the transfer of skills between their outposts.
- Global financial sector entities may yield opportunities for diversified holdings by the Jamaican investor community.
- Banks with strong and diverse capital sources may be able to weather local economic downturns.

These factors indicate that the functions of the financial sector would be well served by policy action that maintains the openness of Jamaica's financial system and thereby exploits the benefits of global interconnectedness over the course of the next 10-15 years.

D. A Strong Jamaican Presence in the Ownership and Control of the Financial Sector.

A vibrant financial sector can play an important role in securing national socio-economic objectives. This need not mean that Jamaican financial sector entities must be expected to make uneconomic decisions in the national interest. Instead, it may mean that they factor a longer and broader view into decisions about how to deploy the nation's capital. The longer perspective comes from the expectation of being in Jamaica for the long haul. The broader view may stem from a Jamaican shareholder's more comprehensive understanding of the island's social and political geography. Such a shareholder should be willing to prioritise Jamaica in his portfolio of investments and concerns.

In practical terms, advocates of this view cite the role of indigenous banks in taking a long-term view (relative to banks in England and the United States) in re-building Germany and Japan in the post-World War II era. They further point to the role of Jamaican banks in helping Jamaica to meet certain IMF tests. Proponents of a strong Jamaican presence in the financial sector also highlight a range of intangibles (such as national pride and the responsibility of self-determination) that serve the national interest.

A vision for the financial sector in 10-15 years can accommodate a strong Jamaican presence in the ownership and control of the financial sector. To the extent that capital, entrepreneurs and managers are not available domestically to the same degree as they are internationally, a vision for 2010 must take the view that Jamaica's interests are served by a policy that supports and promotes their future availability.

II. Issues Requiring Policy Action

A. Regulatory Arbitrage and Competitive Pressures on Banks from Non-Banking Sources.

In Jamaica, blue chip business borrowers are increasingly able to access capital market financing (either locally in the commercial paper market or internationally in the high-yield bond market) on terms more favourable than those offered through loans by Jamaican commercial banks. The benefit to the productive sector of these alternative sources is that they cut down on the cost of financing and financial intermediation. The problem for the sector is that the domestic retail banks will increasingly find themselves lending to a pool of smaller and potentially more risky borrowers with the result, over time, being a loss of loan quality.

A related concern stems from the capacity for regulatory arbitrage among the different branches of the financial sector. Life insurance entities for example have shown particular imagination in developing new competitive products that combine tax sheltered investment with liquidity and minimal death benefits. These companies, together with a host of non-bank entities have, in essence, entered the business of providing investment products that mimic deposits and tend to be competitive with bank deposits because they are not subject to the BOJ reserve requirements.

A vision for the financial sector must therefore determine the appropriate limits on the range of products that can be offered by banks as well as by non-bank financial institutions. This will need to be undertaken on an ongoing basis because new hybrid financial products have been developed with increasing frequency in recent years, and this is likely to continue.

B. Non-Financial Sector Activities by Financial Sector Affiliates.

Banks are able to own non-bank companies and even industrial companies and the same are able to own banks. This is said to present at least ^{three} problems: (i) it creates a competitive level of distrust between banks and industry--the theory being that banks are likely to poach the good business ideas that are revealed to them in credit applications, (ii) banks expend capital (including human capital) in areas that fall beyond their areas of expertise, and (iii) it increases the likelihood that banks will make non-economic loans or investments in related entities-- the rate, terms and maturity may be imprudent. The final point has, however, in the cases of Germany and Japan, also been used to explain the willingness of banks, in difficult economic times, to take long-term positions that have ultimately proven beneficial to the productive sector of the respective economies. The banks of Germany and Japan had strong oversight over the entities to which they lent money (since they also owned these companies) and thus were able to take longer-term risks with loans to productive ventures that would not have received credit on an arm's length basis.

A vision for the financial sector must therefore determine prudent restrictions on ownership of banks by non-financial institutions and ownership by banks of non-financial institutions.

C. Depositor Confidence and Financial Sector Stability. A vision for the next 10-15 years must include a comprehensive, empowered and responsive regulatory structure. Financial sector regulation is now carried out by three entities: (i) the Bank Supervision Department of the Bank of Jamaica, (ii) the Superintendent of Insurance and Unit Trusts, and (iii) the Securities and Exchange Commission. There is no formal mechanism for these entities to communicate and as a practical matter they do not communicate. Accordingly, the recent surge in the number of companies under common control that have activities that cut across the banking, securities and insurance sectors has resulted in the following problems:

- Massive intra-group exposures and large exposures at the group level that go undetected by any one regulatory entity.
- Regulatory arbitrage.
- The lack of transparency of group ownership, control and capital structure.
- New financial products that do not fall easily within the mandate of any of the regulatory bodies and have gone largely unregulated. Examples of this problem arise in the area of pension fund management and the commercial paper market.

A regulatory structure that facilitates the sharing of information and enforcement duties between regulatory agencies is a possible solution to this problem.

A related problem for financial institution supervisors is the lack of graduated enforcement penalties. De-licensing tends to be the only available penalty. However, because it is unduly harsh, it tends not to be employed as a means of responding to early warning signs. As a result, small infractions go unchecked until it is too late for relatively easy and inexpensive solutions. Moreover, a wider breakdown in a culture of compliance results.

An additional element of depositor confidence and financial sector stability by 2010, is deposit insurance. Small depositors simply cannot be expected to monitor financial institutions. The economies of scale associated with the monitoring of financial entities is such that each small depositor will find it unprofitable to acquire the information and skills necessary to police a financial institution. Collectively, the mass of small depositors will, however, find that if they share the fixed cost of monitoring, it makes economic sense. For this reason, the pool of depositors has charged government with the responsibility for oversight. The question then is whether government will be willing to stand behind its commitment to regulatory oversight on behalf of the small depositors. A system of deposit insurance clearly articulates such willingness.

Deposit insurance for small-scale depositors (e.g. up to J\$500,000) also creates a helpful negotiating starting point in the case of bank failure. The absence of deposit insurance can weaken the hand of government because it can create the perception that there is willingness to “bailout” all depositors and that this is a natural starting point for negotiation. In effect, this creates an implicit 100% deposit insurance policy, rather than an explicit insurance policy for small savers. Obviously a deposit insurance scheme is not without cost. Banks as well as customers may take on additional risk knowing that deposit insurance is available-- the moral hazard problem.

D. Cost of Financial Intermediation.

A massive spread has tended to exist between base rates (or deposit rates) and lending rates. Some of this spread has to do with gross inefficiencies in bank operations. Indeed, many argue that the magnitude of this efficiency problem rivals high cash reserve requirements in explaining why loan rates tend to be unbearable for the productive sector. These financial sector inefficiencies are private problems (or at least problems that seem to demand private solutions) but they are also systemic problems in that they affect virtually every financial sector institution. The following specific problems are said to contribute to the cost of financial intermediation:

- Banks tend to make concessionary rate loans to staff. Loans of this nature would

be acceptable if they simply amounted to a component of reasonable compensation for staff. In too many cases, however, these loans account for much more and border on a breach of the entities' fiduciary duties to shareholders.

- Allegations of corruption and lax internal controls within banks abound. More recently, this has extended to forms of corruption that cut across banks and financial sector institutions.
- The high number of financial institutions is such that the pool of persons of skill and experience sufficient to manage these institutions is stretched very thin. As a result officers and directors of appropriate caliber are either unavailable or have divided loyalties because they represent so many entities as to be incapable of dedicating themselves to the concerns of any one entity.

A related component of the cost of financial intermediation is the level of price competitiveness in the sector. This factor tends to be driven by the number of entities that operate within the sector, and their capacity for collusion. Other things being equal, a financial sector that is comprised of a few large entities is more likely to be able to collude and more likely to be competitive than is a sector that includes several entities, each with small market shares.

E. Need for Mechanisms for Long-Term Investment.

Among the most glaring shortcomings of Jamaica's financial sector is its sheer inability to make medium and long-term capital available to the productive sector. Neither the banks nor the securities markets have been able to accomplish this task. A number of factors explain this but two are particularly important: (i) macro-economic instability, and (ii) institutional weakness. Both of these issues have received government attention, however the former has been emphasized to a greater degree in the press and in the psyche of the financial sector.

Institutional weakness deserves attention because strong institutions often provide a means to plan and contract around macro-economic volatility. Consider the following problems:

- Public reporting by listed companies and entities providing guarantees for commercial paper is often late and inadequate to facilitate investment decisions. As a result, only "insiders" can profitably forecast in public equities and debt markets. As such, these markets tend not to be driven by economic fundamentals. Required are stringent regulations in the areas of (i) annual reporting, (ii) disclosures in connection with public offerings, and (iii) disclosures in connection with tender offers for listed securities. An added benefit of timely and adequate disclosure is that it has the potential to create conditions suitable for the establishment of a practice of using ratings agencies to analyse the risk of corporate debt.

- The benefits of enhanced securities regulation obviously go well beyond the securities markets because these markets compete directly with the market for bank credit. A more efficient securities market will therefore mean a more competitive financial sector.
- Jamaica's problem with burgeoning loan losses relates in part to weak documentation standards. Limited capacity for timely legal enforcement of contracts prevents innovative contracting. Lenders must have confidence that they can swiftly enter and enforce security agreements and financial covenants or else these contracts will mean little or nothing and will not receive due consideration in the loan making process. Absent strong enforcement, the best that a lender can do is to lend for very short periods on the theory that the shorter period reduces the risk of changes in economic conditions. Similarly, without the possibility for relatively straightforward entry into security arrangements, it becomes expensive to refinance loans to account for reduced interest rates or to facilitate an easy loan sales market. These factors substantially increase the cost of financial intermediation and reduce the possibility for long term investment.

The abovementioned institutional reforms would have the added benefit of allowing FINSAC to use this period of instability as a window of opportunity to act as a catalyst for the introduction of innovative securities that are designed to tackle the need for large scale patient capital. In this regard, FINSAC could be the force behind a market for REIT type securities and loan sales and asset securitisations in Jamaica. A secondary market for loans can be a particularly useful by-product of FINSAC's intervention. Such a market would permit banks to make loans with longer maturities and then rely on the secondary market to meet some of their resulting liquidity needs. Interestingly, the secondary market for loans, even in developed countries, has tended to be spearheaded by government and with the use of government guarantees.

F. Possible Growth in Majority Foreign-Owned Entities Operating in Jamaica.

Substantially greater foreign involvement in Jamaica's financial sector raises the question of whether the Bank of Jamaica and other entities that supervise the financial sector have the capacity to regulate foreign owned financial entities-- particularly those that do not operate in an environment with substantially better financial sector regulation than our own. For example, if the BOJ decides to require separate ownership of industrial and financial entities, this requirement may need to be policed at an international level in the case of foreign owned entities

G. Consolidation in the Financial Sector.

Competitive pressures on banks could lead to an era of consolidation and mergers in the financial sector. An important policy consideration is the degree to which this consolidation is likely to be anti-competitive. The increasing global access to financial markets of large savers

and borrowers may shield them from anti-competitive effects of financial sector consolidation. For small depositors and other small-scale bank customers, financial sector consolidation could, however, pose a problem.

This vision for the financial sector identifies key objectives for the next 10 - 15 years. These objectives tend to be interconnected and competing. The public policy challenge is therefore to balance and prioritise these objectives as necessary.

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Central Government Operations

Provisional data on Central Government Operations for the period April to July indicates an above-the-line deficit of \$7,483 million. This is \$868 million better than the programmed deficit of \$8,351 million. On the overall balance, the provisional outturn shows a surplus of \$762 million which compares favourably with the budgeted deficit of \$6,594 million. The improved above-the-line position is attributed to revenues exceeding budgeted levels while the overall balance is a result of loan receipts being well above the budgeted level and lower than programmed amortization. Total revenue and grants were \$596 million better than targeted while total expenditures were \$272 million below the budgeted level.

Revenue and Loan Receipts

Tax Revenue

Tax revenue collections totalled \$18,791 million, \$6.6 million more than budgeted. The major tax items that exceeded budget expectations were SCT (Local), Customs Duty, Travel Tax, Tax on Interest and Individual Income Tax. The over performance was however dampened by the poor performance of major items such as GCT/SCT Imports, Taxes on Companies, Stamp Duty, GCT (local) and Bauxite/Alumina Income Tax.

Income and Profits

This category fell below the budget by \$44 million. This was mainly due to the poor performance of Companies Income Tax, Bauxite/Alumina Income Tax and Tax on Dividend. Factors that have contributed to the poor performance in this category are:

- Companies reporting lower levels of profits.
- An excess of deductible expenses over revenue for bauxite companies, resulting in the non-receipt of Bauxite/Alumina Income Tax since the commencement of the fiscal year.

In order to test the validity of these claims by the Private Sector, selected number of firms will be targeted for an audit.

Production and Consumption

This category was just below target by \$5 million. GCT and Stamp Duty (local) were the major items that performed below budget expectations. There is ongoing work in this area in order to ascertain the reasons for this shortfall.

International Trade

All items exceeded budget projections with the exception of GCT/SCT (Imports). This above programmed performance is due to :

- A reduction in the percentage of duties waived, that is, reducing the average waiver from 75% of total duty to 50% of total duty.
- Greater collaboration between the audit sections of the Revenue Agencies.

Wages and Salaries were \$254 million more than the budgeted amount. This was largely due to the allowances paid to the security forces which was greater than originally planned.

Total interest payments exceeded the budget by \$201 million due mainly to domestic interest being above programmed by \$545 million. Foreign interest was \$345 million less than budgeted.

Interest payment is expected to increase over budget by \$2,400 million due to:

- Ministry of Finance's inability to reschedule \$1,700 million of the targeted \$4,000 million;
- the 2 percentage point increase in interest rates;
- the interest cost on the unprogrammed \$5,629 million of securities issued to support monetary policy between April and June of this fiscal year;
- the interest cost on the \$2,000 million used to support the Financial Sector;
- the revaluation of the basket of currencies that impact on the external debt payments. This is estimated to cost \$200 million.

With respect to the proposed rescheduling for FY97/98, it should be noted that \$4,000 million in interest costs were expected to be rescheduled. This has now been revised to \$2,300 million and the current position is that :

- \$700 million has already been rescheduled;
- holders of stocks on which \$800 million of interest payments are now due have been approached and have agreed to reschedule the interest payable to them in fiscal year 1997/98. The documentation is to be finalised;
- the remaining \$800 million is still to be negotiated as the holders of these stocks have not been approached as yet.

Therefore, in the current tight liquidity situation, it is unlikely that the Ministry of Finance and Planning will be able to reschedule more than the \$2,300 million.

Expenditure on capital projects have been constrained and is currently below budget by \$1,670 million. It is expected that this level of expenditure will be maintained for the rest of the fiscal year.

External amortization was \$1,255 million less than budgeted, partly due to the rescheduling of a US\$25 million loan. Domestic amortization on the other hand exceeded the budget by \$617 million resulting in total amortization being below by \$638 million.

CENTRAL GOVERNMENT SUMMARY ACCOUNTS - Fiscal Monitoring Table FY 1997/98

(in millions of dollars)

Item	Budget FY 97/98 Apr - Jul	Prel. Outturn FY 97/98 Apr - Jul	Diff (C - B)	Diff (C - B) %
Revenue & Grants	20,934.3	21,530.8	596.4	2.8%
Tax Revenue	18,784.8	18,791.4	6.6	0.0%
Non-Tax Revenue	731.1	1,165.8	434.7	59.5%
Bauxite Levy	871.8	1,070.2	198.4	22.8%
Capital Revenue	217.3	273.5	56.2	25.9%
Grants	329.3	229.8	(99.6)	-30.2%
Expenditure	29,285.5	29,013.7	(271.8)	-0.9%
Recurrent Expenditure	23,860.1	25,329.7	1,469.6	6.2%
Programmes	5,571.0	6,585.2	1,014.2	18.2%
Wages	9,389.5	9,643.9	254.4	2.7%
Interest	8,899.6	9,100.5	200.9	0.0%
Domestic	6,847.3	7,393.0	545.7	8.0%
Foreign	2,052.3	1,707.5	(344.8)	-16.8%
Capital Expenditure	4,914.6	3,244.8	(1,669.8)	-34.0%
Capital A				
Capital B				
IMF #1 Account	510.8	439.2	(71.6)	-14.0%
Fiscal Balance (Surplus + / Deficit -)	(8,351.2)	(7,482.9)	868.2	10.4%
Loan Receipts	13,458.4	19,308.5	5,850.1	43.5%
External	6,525.1	8,011.6	1,486.5	22.8%
Domestic	6,933.3	11,296.8	4,363.5	62.9%
Amortization	11,701.5	11,063.8	(637.7)	-5.4%
External	4,031.2	2,775.9	(1,255.3)	-31.1%
Domestic	7,670.3	8,287.9	617.6	8.1%
Overall Balance (Surplus + / Deficit -)	(6,594.3)	761.7	7,356.0	111.6%

DETAILS OF REVENUE - FY 1997/98

(in millions of dollars)

	A	B	(B - A)
Item	Budget Apr - Jul	Outturn Apr - Jul	Diff
Total Revenue	20,934.3	21,530.8	596.4
Total Tax Revenue	18,784.8	18,791.4	6.6
Income and profits	7,148.5	7,104.5	(44.0)
Bauxite/alumina	57.3	0.0	(57.2)
Bank & Trust Company	0.0	0.0	0.0
Other companies	2,047.9	1,931.4	(116.5)
PAYE	3,858.8	3,880.3	21.5
Tax on dividend	123.1	83.4	(39.7)
Other individuals	242.8	296.8	54.0
Tax on interest	818.7	912.6	93.9
Property Tax	0.0	0.0	0.0
Production and consumption	5,969.1	5,964.0	(5.1)
Excise	0.0	0.0	0.0
SCT	554.5	718.1	163.6
Retail sales tax	0.0	0.0	0.0
Motor vehicle licenses	46.6	76.1	29.5
Other licenses	21.5	24.2	2.7
Entertainment Tax	0.0	0.0	0.0
Betting, gaming and lottery	86.0	89.3	3.3
Tax de sejour	0.0	0.0	0.0
Education Tax	958.1	940.8	(17.3)
Sales tax on used cars	0.0	0.0	0.0
Telephone and Telex	0.0	0.0	0.0
Contractors levy	78.0	75.6	(2.4)
GCT (Local)	3,370.0	3,290.8	(79.2)
Stamp Duty (Local)	854.4	749.0	(105.4)
International Trade	5,667.2	5,723.0	55.8
of which Custom Duty	2,077.7	2,218.7	141.0
Stamp Duty	189.1	223.3	34.3
Travel Tax	317.2	399.6	82.3
GCT/SCT (Imports)	3,083.2	2,881.4	(201.8)
Non-Tax	731.1	1,165.8	434.7
Bauxite Levy	871.8	1,070.2	198.4
Capital	217.3	273.5	56.2
Grants	329.3	229.8	(99.6)

CAPITAL BUDGET, 1997/98

PROPOSED REDUCTIONS

APPENDIX 11

\$'000

HEADS/PROJECTS	Approved Budget	Proposed Reduction	REMARKS
Head 1500B - Office of the Prime Minister -----			
Comprehensive Rural Township Development Programme	345,820.0	120,000.0	Subject to further analysis
Head 1600B - Office of the Cabinet -----			
Public Sector Reform Programme	149,399.0	30,000.0	Subject to further analysis
Head 2000A - Ministry of Finance and Planning -----			
Caribbean Development Bank	33,670.0	13,000.0	
Sangster International Air Terminal	150,000.0	150,000.0	
Improvement of Facilities - Revenue Centre Constant Spring	20,000.0	7,000.0	
		170,000.0	
Head 2000B - Ministry of Finance and Planning -----			
Tax Administration Reform Project	96,000.0	60,444.0	
Northern Jamaica Development Project	59,557.0	27,785.0	
Jamaica Social Investment Fund	230,000.0	156,345.0	
New Student Loan Scheme	300,000.0	239,851.0	
		484,425.0	
Head 4100B - Ministry of Education, Youth and Culture -----			
Primary Education Improvement Programme II	629,630.0	41,000.0	
Secondary School Textbook Project	44,919.0	17,000.0	
Reform of Secondary Education	347,390.0	18,000.0	
Head 4200B - Ministry of Health -----		76,000.0	
Support to Local Health Systems	9,573.0	7,200.0	
G.O.J. Netherlands Rural Health Project	23,877.0	15,400.0	
Children and Youth at Risk	8,163.0	5,000.0	
		27,600.0	

CAPITAL BUDGET, 1997/98

PROPOSED REDUCTIONS

APPENDIX 11

\$'000

HEADS/PROJECTS	Approved Budget	Proposed Reduction	REMARKS
Head 5100B - Ministry of Agriculture and Mining			
Blue Mountain Coffee Development Project	307,219.0	204,568.0	
Hillside Agricultural Project	111,964.0	109,580.0	
Agricultural Export Services	12,430.0	5,420.0	
Second Sugar Rehabilitation Project	41,245.0	41,245.0	
Bridging Assistance Project	3,077.0	3,077.0	Project not yet started
Morant Yallahs Agricultural Development Project	55,040.0	4,150.0	
Agroforestry Development in North East Jamaica	5,000.0	1,260.0	
Agricultural Support Services Project	8,025.0	7,700.0	
		377,000.0	
Head 6000A - Ministry of Public Utilities and Transport			
NWC Projects			
Succaba Pen	15,750.0	5,000.0	}
Roaring River	20,740.0	5,000.0	}
Norwood	10,000.0	3,000.0	}MPUT is in the process of reconciling
Newell	13,000.0	5,000.0	}project accounts with NWC. Indications
Construction of Canals	15,000.0	5,000.0	}are that NWC is in a position to meet
Lining of Canals	39,972.0	9,000.0	}any budgetary shortfall on these projects.
Improvement to Meterological Services	45,000.0	5,000.0	}
Traffic Authority	20,000.0	5,000.0	}
Other Capital Works	37,188.0	8,000.0	}
		50,000.0	
Head 6000B - Ministry of Public Utilities and Transport			
Negril Water Supply Scheme	134,000.0	30,000.0	

CAPITAL BUDGET, 1997/98

PROPOSED REDUCTIONS

APPENDIX 11

\$'000

HEADS/PROJECTS	Approved Budget	Proposed Reduction	REMARKS
KMA - Water Supply	50,000.0	20,000.0	
Ocho Rios Sewerage	80,000.0	30,000.0	
Airport Reform - Norman Manley Airport	100,000.0	20,000.0	
		----- 100,000.0 -----	
Grand Total		1,435,025.0	

CENTRAL GOVERNMENT OPERATIONS FY1997/98 (J\$bn)					
	8-Sep	Oct	Nov	Dec	Total
<u>Obligations</u>	9.7	9.9	9.1	9.1	37.8
<u>Public Debt</u>	5.5	5.4	4.4	4.4	19.7
Treasury Bills	0.8	0.6	1.2	1.2	3.8
Amortization	3.5	2.6	1.6	1.1	8.8
Interest	1.2	2.2	1.6	2.1	7.1
<u>Programmes</u>	4.2	4.5	4.7	4.7	18.1
Recurrent	3.7	3.8	3.8	4.1	15.4
Capital	0.5	0.7	0.9	0.6	2.7
<u>Resources</u>	10.3	6.0	6.6	8.0	30.9
Balance in bank	0.8	0.0	0.0	0.0	0.8
Revenue	4.4	5.4	5.4	6.8	22.0
T Bills	0.8	0.6	1.2	1.2	3.8
LRS	2.5				2.5
BNS Loan	1.8				1.8
Financing Gap	0.6	-3.9	-2.5	-1.1	-6.9
CDF Transfer		1.2			1.2
US\$ Bond Issue				3.6	3.6
Net Gap	0.6	-2.7	-2.5	2.5	-2.1

NATIONAL INVESTMENT

Post-It [®] Fax Note 7671		Date 97/09/10	# of pages 32
To Mrs. H. Vernon	From Dudley Sackaloo		
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Fax # 960 3368	Fax # 9200 379		

MEMORANDUM

09 SEP 1997

N.I.B.J.
President Division

TO : Mr. Lloyd Pinnock
Acting President

FROM : Portia Nicholson Clarke
Legal Officer

DATE : 97-09-08

RE : Share Subscription and Management Agreements for Sugar Company of Jamaica

Dr Phoney
M. Sackaloo
F.Y. Urgent.
TS
97/09/09

This is to set out my observations regarding the captioned agreements:

1. The interpretation section in the share subscription agreement defines 'management agreement' as "An agreement between the Company and Manufacturers Investment Limited in form and substance satisfactory to NIBJ". Yet the management agreement has been executed without NIBJ's prior knowledge or approval.
2. MIL could be considered a 'related company', which raises the possibility of an incestuous arrangement. Indeed the signatory on behalf of MIL is SCJ's Chairman. Furthermore it is not clear what particular expertise MIL possesses in the sugar industry, and the basis on which it should be awarded such a contract.
3. The minutes of the meeting of 12 august 1997 between NIBJ and the GOJ appointed directors indicate that shares would be participatory. However, the Share subscription agreement expressly (Clause 5.1(iii) at page 14) precludes voting rights.
4. The Govt. is being offered 16M shares whereas according to the 1995 financial statements there were only approximately 12.5M un-issued shares. SCJ needs to disclose whether, and by how much the share capital is being increased and the terms on which the shares are being made available to other shareholders.
5. Furthermore, the financial statement indicates a par value of J\$0.10 with a share premium of \$9.90 each. The share subscription agreement has the par value of the preference shares at US\$0.01 each with a premium of US\$0.99. It is not clear how these values were determined.

6. The obligation of the corporate shareholders to inject \$222.462M into SCJ is not mentioned as a reciprocal agreement.
7. The fundamental question is whether GOJ is reversing the privatisation on terms unfavourable to itself when it enters into this agreement. It would be foregoing both its previous equity position and the payment due from sale of the equity.
8. Under the privatisation GOJ has assumed certain liabilities of the sugar estates. With no sale proceeds, the question where funds will come from to make these payments must be answered.
9. In relation to the management agreement, I would consider the base fee high, especially having regard to the lack of specialist knowledge of the manager. [It should be noted that the previous manager had responsibility to provide information on technological, agricultural, production, personnel, training, financial and commercial matters. It is clear that the manager was undertaking primary responsibility for such matters as any specialists hired were to be at their expense except for out of pocket expenditures such as travelling.]
10. Two incentive fees are charged whereas the previous management agreement charged only one.
11. The incentive fees are high and are unrelated to any targets. For example, if only one ton of sugar is produced a production incentive fee would be payable.
12. The management Agreement has no reference to a business plan or to specific objectives of the manager. Nor does it set out a well defined scope of work for the manager bearing in mind that SCJ has its own management personnel and super-structure.
13. The termination clause is wholly inadequate.

GROWTH TREND AND GDP

**THE PLANNING INSTITUTE OF JAMAICA
SEPTEMBER 10, 1997.**

INTRODUCTION

Positive economic performance during the first half of 1997 continued to be dominated by the performance of the macroeconomy. Consistent with the major objectives of the 1997/98 financial programme (of maintaining price stability) inflation continued to trend downwards. The exchange rate market also continued to show relative stability, buoyed by the use of the Net International Reserves (NIR), and the effective base money management which has been the centrepiece of monetary policy management. The sustained lowering of inflation coupled with the pursuit of stringent monetary policies, facilitated the further reduction in indicative rates¹ during the six month period, as a part of the first stage of general lowering of interest rates in the economy. Consequently, weighted average lending rates declined from 42.19 per cent at the end of December 1996 to 37.54 per cent at the end of June 1997.

Despite the reduction in lending rates and the institution of measures to support an expansion in production, output by the major productive sectors have continued to lag behind that of the preceding year. This reflected a number of factors. These include:

1. continued adjustment of some sectors to the new liberalized economic environment,
2. adjustments and retooling, particularly in the manufacturing sector to improve

¹Treasury bills rates declined from 29.28 per cent at the end of December 1996 to 20.19 per cent at the end of June 1997.

efficiency and increased further output.

3. lending rates through declining, remain prohibited to investment, and
4. adverse weather conditions.

The growth trade off involved in engendering macroeconomic stability (reducing prices) would also have been a contributing factor in the less than positive growth trend observed.

Consistent with the observed changes in production, other lead indicators of output growth registered negative changes during the period. Unemployment increased from 16.1 per cent in April 1996 and 16.3 per cent in October 1996 to ^{17.1}23.1 per cent in April 1997.

Credit to the goods producing sector continued to decline in real terms, moving down by 3.9 per cent. Similarly the share of commercial bank credit absorbed by the sector declined from 28.6 per cent at the end of June 1996 to 26.3 per cent at the end of June 1997.

Based on these changes, indicators are that the 2 per cent growth targeted for FY 1997/98 will not be attained. The realisations of a positive change in GDP will depend on the performance of the services sector which accounts for on average over 70.0 per cent of real GDP.

PERFORMANCE OF THE PRODUCTIVE SECTORS

Based on production date to June 1997, indications are that the level of output produced by the major goods producing sectors were lower than that observed during the similar period of 1996. With the exception of the Construction and Installation sector, where there were some positive changes in some prime indicators (housing starts, cement production and construction imports), lower output levels characterized the performances of the remaining three major goods producing sector (Agriculture, Manufacturing and Mining).

Agriculture: In Agriculture, output for the period January to June 1997, declined by 11.1 per cent compared with the similar period of 1996². This performance contrasts with trend over the past 7 years reflecting sustained growth in Agricultural output been increasing consistently for the past seven years (see table 1). The fall in agricultural output was due mainly to the prolonged drought experienced during the period. Only about a third of normal rainfall was received during the period with June being the only month in which more than 50 per cent of the normal levels of rainfall was experienced. As a result of the drought there were reduced transplanting of seedlings, poor crop development and low yields for most crops particularly in the heavily weighted domestic good crop sector. As a result domestic crop production fell by 7.8 per cent relative to the similar period of 1996. Reduced output was recorded in all parishes.

²As indicated by the PIOJ's Agricultural Productive Index

With regard to Distributive trade, a slowing in the rate of growth of consumer goods imports suggests a possible reduced level of activities in that sector. The continued adjustments/restructuring taking place in the Financial sector would also suggest no significant growth in the sectors output.

Using commercial banks loans and advances to the sector as a measure of changes in credit to the service sector, a real decline of 9.0 per cent was registered during the half year to June 1997. This represented a continuation of the real decline in commercial banks' credit to the sector since 1996. Further, With the exception of "Transportation, Storage and Communication and Electricity, Gas and Water unemployment in the service sector represented in the labourforce survey, increased, suggesting reduced activities in the sector. With a combined contribution of over 70 per cent of GDP, performance of this sector will disproportionately influence the overall change in overall production.

Conclusion and Outlook for the remainder of 1997.

Production change in the major productive sectors during the first half of 1997 points to lower performances relative to 1996, suggesting a decline in the real growth of these sectors during the period. Accounting for, on average, 35.0 per cent of real GDP, these improvements suggest strong contractionary influences on overall GDP during the first

half of 1997. The positive change in construction would have provided some positive influence, but not enough to outweigh the influence of the other productive sectors.

Recognizing the difficulties being faced by the productive sectors and consistent with the role of the government in facilitating economic growth various measures have been put in place to provide some catalyst for expansion in production. These include :

1. A reduction in the cost of on-lent development bank capital. As of April 1, 1997, interest rates in development bank capital was aligned to the passbook savings rate at commercial banks. Development bank funds were previously pegged to the Treasury Bill rate.
2. A reduction in lending rates from EXIM Bank for short-term working capital financing.
3. Direct access to developmental funds from the NDB Bank from July 1, 1997(in the event that the funds cannot be accessed through the commercial banking system).
4. Broadening in the coverage of the Export Industries Encouragement Act (EIEA), which provides exemptions from import duties on raw materials and machinery as well as from income tax (for up to ten years) to include manufacturers who are partial exporters.
5. A four month extension to October 1997 of phase one of the special programme of assistance for the textile and apparel industry initiated at the beginning of the

year as well as the implementation of phase two as of August.

Response to these measures should be forthcoming in the medium term.

For the remainder of 1997 however mixed sectoral performances should characterise the productive sector reflecting a myriad of influences. Construction and Installation should continue to show positive changes driven by residential construction and public sector investment in infrastructure. In Agriculture, the outlook is for production to decline. The "All Jamaica" rainfall measure at 184 millimetres for June was 64.0 per cent of normal suggesting that weather conditions have not returned to normal. Further even after the end of the drought, there will continue to be influences from the drought, on domestic crop production, as replanting and plant development will take some time.

With the continued restructuring of key industries in the manufacturing sector in addition to the recent closures in the textile and apparel sector, manufacturing output levels should continue to decline in 1997. The sector stands to benefit however, from the recent initiatives put in place to assist the restructuring process.

Growth in Tourism is expected to continue, although at a slower pace relative to 1996. Some improvements are expected in upcoming months. The Independence celebrations as well as the staging of a major reggae show in August should underpin this increase. Production levels in the bauxite and alumina industry are expected to remain on par with

that attained in 1996 with higher levels of alumina output.

Based on the output of the productive sector to June 1997, and the foregoing outlook for the productive sector, a decline in output from that sector for 1997, is a real possibility. However, while the 2.0 per cent growth targeted is unlikely to be attained, final out-turn of total production will hinge on the performance of the service sector, particularly the Financial sector and Distributed Trade.

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TABLE 1

AGRICULTURAL PRODUCTION IN SUBSECTOR
1986 BASE YEAR

YEAR	EXPORT	DOMESTIC	FISHERIES	MEATS & POULTRY	TOTAL
1981	141.64	148.95	117.82	161.98	146.80
1982	176.58	116.59	122.21	160.44	143.46
1983	172.72	132.95	124.96	157.76	152.63
1984	159.29	168.28	126.88	168.48	164.56
1985	144.02	151.84	131.28	152.92	165.42
1986	155.75	152.29	149.40	149.42	175.18
1987	157.55	148.19	146.94	124.75	172.69
1988	182.62	146.69	145.29	156.88	176.30
1989	139.58	117.67	146.94	147.61	174.24
1990	198.93	138.47	159.84	197.43	190.19
1991	205.68	126.54	155.17	191.89	180.70
1992	191.94	155.82	162.93	203.11	187.45
1993	185.77	187.39	171.08	176.05	195.95
1994	184.90	216.41	171.08	177.24	272.90
1995	184.68	203.17	171.08	177.24	260.70
1996r	217.36	219.74	171.08	177.24	283.20
1997pr	204.88	202.71	171.08	177.24	252.05
% Change 1997/1996	(5.74)	(7.75)	0.00	0.00	(11.00)

TABLE 2

'DOMESTIC FOOD CROP PRODUCTION (TONNES)
'JANUARY - JUNE 1995, 1996 and 1997

CROPS	1995	1996	1997	% Change 1996/1995	% Change 1997/1996
Legumes	6280	5699	5900	-9	4
Vegetables	94507	101444	84312	7	-17
Condiments	17159	17247	16483	1	-4
Fruits	21690	24600	24791	13	1
Cereals	2051	1892	2137	-8	13
Plaintain	17237	15943	13698	-8	-14
Potatoes	25914	24822	23217	-4	-6
Yams	112265	123723	118054	10	-5
Other Tubers	30545	31055	28194	2	-9
Sorrel	234	339	375	45	11
Total	327882	346764	317161	6	-9

Source : Based on data supplied by the Ministry of Agriculture.

TABLE 3

PRODUCTION OF SELECTED TRADITIONAL CROPS
JANUARY - JUNE 1995, 1996 and 1997

Commodity	January to June 1995	January to June 1996	January to June 1997	% Change 1996 ----- 1995	% Change 1997 ----- 1996
Sugar-cane	1,988,866	2,462,406	2,184,717	24	(11)
Banana (Export)	39,514	40,998	40,916	4	(0)
Coconut	48	73	56	52	(23)
Citrus a					
Coffee b	2,040	4,350	5,027	113	16
Cocoa (Wet Cocoa Deliveries)	3,718	2,373	1,301	(36)	(45)
Pimento (Purchased)	1	0	0		

TABLE 5
IMPORTS OF SELECTED ITEMS
JANUARY TO JUNE 1995, 1996, and 1997

ITEM	1995 Jan - Jun tonnes	1996 Jan - Jun tonnes	1997 Jan - May tonnes	% Change <u>1996</u> 1995	% Change <u>1996</u> 1995
Rice	133879.5	37096.1	25334.1	-72.3	-31.7
Maize	100068.3	55872	78226.7	-44.2	40.0
Flour	54.6	43.8	79.8	-19.8	82.2
Wheat	0.02	727.7	45547	3638400.0	6159.0
Fresh Vegetables	94.7	512.8	1000.9	441.5	95.2
Peas & Beans	948.4	703.1	648.8	-25.9	-7.7
Onions	932.5	2087.2	2188	123.8	4.8
Potatoes	34.2	3.4	1039.4	-90.1	30470.6
Beef	52.3	48.9	36.6	-6.5	-25.2
Mutton & Goat	2112.8	1710.8	1547.8	-19.0	-9.5
Poultry Parts	5918.5	3512	125.7	-40.7	-96.4
Ofals	972.8	1159.7	789.7	19.2	-31.9
Liver	3148.9	3230.9	2205.3	2.6	-31.7
Fresh Fish	577.8	1022.8	916.2	77.0	-10.4
Herrings	57.1	362.8	668.4	535.4	84.2
Sardines	1036	787.7	839.1	-24.0	6.5
Codfish	406.4	789.5	418.2	94.3	-47.0
Mackerel	7567.5	3592.8	5076.2	-52.5	41.3
Whole Milk	878.6	504	448.2	-42.6	-11.1
Skimmed Milk	3493.5	3892.9	2885.9	11.4	-25.9
Butter	1497.7	950.9	917.5	-36.5	-3.5
Cheese	19.2	31962	401.4	166368.8	-98.7
TOTAL IMPORTS	263751.32	150573.8	171340.9	-42.9	13.8

TABLE 4

VALUE OF EXPORTS: TRADITIONAL AGRICULTURAL COMMODITIES:
FOR JANUARY - MARCH 1995, 1996
(US\$ '000)

Commodity	Jan - June	Jan - June	Jan - June	%Change	%Change
	1995	1996	1997	1996	1997
				----- 1995	----- 1996
Sugar	84,011	99,180	97,437	18.1	-1.8
Banana	26,906	24,900	24,154	-7.5	-3.0
Citrus	2,137	3,715	4,619	73.9	24.3
Coffee	15,377	12,833	16,364	-16.5	27.5
Cocoa	1,455	900	1,106	-38.1	22.9
Pimento	2,474	1,999	2,218	-19.2	11.0
Total	132,359	143,527	145,898	8.4	1.7

FIGURE 1

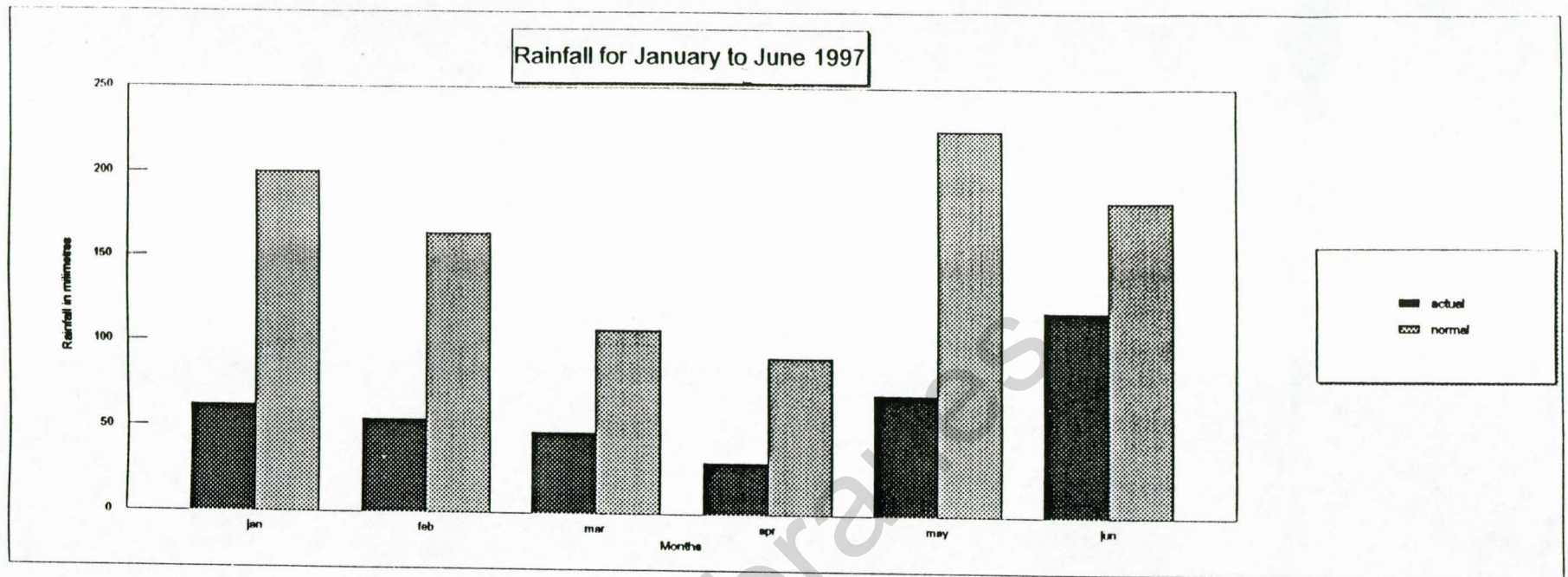


TABLE 6

VOLUME AND VALUE OF SELECTED NON- TRADITIONAL EXPORT COMMODITIES
JANUARY - JUNE 1995, 1996 and 1997

COMMODITY	VOLUME '000KG % Change			VALUE '000 US\$ % Change		
	1996	1997	1997/1996	1996	1997	1997/1996
Cucumbers	105	100	-4.8	71	54	-23.9
Pumpkins	1059	762	-28.0	771	431	-44.1
Other Vegetables	14	11	-21.4	341	6	-98.2
Dasheen & Vegetables	1199	1039	-13.3	821	693	-15.6
Sweet Potatoes	807	641	-20.6	691	691	0.0
Yams	5746	4710	-18.0	5299	5081	-4.1
Fruits	2738	2363	-13.7	3856	3944	2.3
Cut Flowers, Foliage and Live Plants			ERR	1453	1368	-5.8
Lobsters	104	36	-65.4	2041	261	-87.2
TOTAL	11772	9662	-17.9	15344	12529	-18.3

PRODUCTION OF SELECTED COMMODITIES

		Jan-Jun	Jan-Jun	% Change
		r	p	1997
Sub-Sector	Unit	1996	1997	----- 1996
FOOD PROCESSING				
Poultry Meat	tonnes	22172	21638	-2.4
Animal Feeds	tonnes	141001	140759	-0.2
Condensed Milk	tonnes	8305	7492	-9.8
Edible Oils	tonnes	4456	5642	26.6
Edible Fats	tonnes	3432	4294	25.1
Flour	tonnes	71420	67992	-4.8
Cornmeal	tonnes	6602	5352	-18.9
Sugar	tonnes	214707	218125	1.6
Molasses	tonnes	82285	79844	-3.0
BEVERAGES AND TOBACCO				
Rum	'000 ltrs	13139	n.a	
Alcohol (incl. Gin)	'000 ltrs	n.a	n.a	
Beer & Stout	'000 ltrs	35082	28128	-19.8
Carbonated Beverages	'000 ltrs	17883	14739	-17.6
Cigarettes	000	634000	588000	-7.3
Cigars	000	8480	9851	16.2
CHEMICALS & CHEMICAL PRODUCTS				
Fertilizer	tonnes	33742	33265	-1.4
Paint	'000 ltrs	4844	2282	-52.9
Sulphuric Acid	tonnes	4976	7982	60.4
Aluminium Sulphate	tonnes	3177	6966	119.3
Sulphonic Acid	tonnes	4672	1532	-67.2
Salt (NaCl)	tonnes	9255	9471	2.3
NON-METALLIC MINERALS				
Cement	tonnes	278075	281857	1.4
Glass Bottles	tons	12225	12605	3.1
PETROLEUM PRODUCTS				
Gasolene	000 ltrs.	72994	93405	28.0
L.P.G.	000 ltrs.	8051	9092	12.9
Fuel Oil	000 ltrs.	224016	257948	15.1
Turbo Fuel	000 ltrs.	30954	28105	-9.2
Automotive Diesel Oil	000 ltrs.	98413	102017	3.7
Other Petroleum Products	000 ltrs.	53760	60702	12.9

N.A. - Not available

Source - PIOJ's Survey

While not being the dominant factor affecting production during the first half of 1997, import, continued to replace local production in satisfying domestic demands for specific vegetables (red peas, carrots and onions). While filling the supply gap existing in the economy presently, and influencing positively domestic inflation, if sustained in the long run, domestic production could be adversely affected.

Reflecting in part the decline domestic crop production, all categories of non-traditional agricultural exports declined during the review period. The value of selected non-traditional export commodities declined by 18.3 per cent. Although there were declines in all categories (except fruits), vegetables, lobsters, pumpkins were the main contributors to the overall decline in earnings. The decline in Foreign Exchange earned from vegetables parallels the movement in volume produced and exported during the period.

Livestock Production was also affected by the drought conditions. The death of a number of animals in the dryer parishes such as Clarendon and St. Elizabeth was linked to these conditions.

Reduced output also characterised the traditional export crop sub-sector. For the six month period, January - June 1997, production of traditional export crops as reflected in a 5.7 per cent decline in the Planning Institute Index of Agricultural Production. The

volume of sugar cane reaped declined by 11.0 per cent relative to the similar period of 1996, due partly to heavy rains in the latter part of May and early June which hampered the reaping of canes. Despite the disruptions to milling activities, the crop year to date position was not jeopardized as it was 0.7 per cent greater than that of the similar period of 1995/1996 crop year. However, sugar earnings declined by 1.8 per cent.

All other traditional export crops (except coffee) showed a decline in production levels for the first six months of the year. Coffee registered an improvement of 16.0 per cent over the similar period. Favourable changes in the crop's flowering pattern triggered by the drought conditions experienced earlier this year was primarily responsible for the increase (34.9 per cent) for the crop year to date (August 1996-June 1997) deliveries of Cherry coffee. Copra production declined by 23.0 per cent while wet cocoa deliveries registered a 45.0 per cent increase.

Manufacturing & Processing: For the first six months of 1997 production data gleaned from the Planning Institute's Survey on selected commodities (representing more than 50 per cent of the Manufacturing sector) showed a general decline in output levels compared with the similar period for 1996. In addition the apparel sub sector also recorded declines with the exception of the petroleum products and the non-metallic minerals sub sectors which showed an overall improvement, the other subsectors captured in the survey (food processing, beverages & tobacco and chemicals & chemicals products) all

showed general declines. The decline in output levels were attributed to the restructuring of key industries within the manufacturing sector in response to the more liberalized market environment in which the sector now operates and the relatively high cost of capital. Some key industries in the sector registered further decline in output and export performances during the first half of 1997. These include condensed milk, flour, cornmeal, non-alcoholic carbonated beverages, alcoholic beverages (beer and stout), cigarettes and paint. This follows on weak performances recorded during 1996. Other sub sectors which have indicted dramatic declines but for which no supporting hard data are available include; wooden furniture, and electronics.

The fallout in the apparel industry since the second quarter of 1996 also continued into the first half of 1997 as foreign-investors seek more lucrative industrial locations. Four companies discontinued their operations bringing the total to fourteen since January 1996.

A total of seven manufacturing entities have ceased operations since January 1997. The three non-apparel firms are Goodyear Jamaica Ltd., Kiwi Caribbean Ltd., and the Cotton Polyester Plant.

On the export side, preliminary data for the first six months of the year showed declines in both non-traditional exports and traditional exports resulting in a 8.9 per cent overall decline in total exports relative to the similar period of 1996. The value of total exports for the period being reviewed was US\$275.7 million, compared with US\$302.6 during

the similar period of 1996. Apparel exports which accounts for a significant proportion of total exports continued to decline reflecting both domestic and external factors.

Bauxite/Alumina Sector: For the first six months of 1997 total bauxite production remained relatively flat at 5959.25 kilo tonnes. During the first 6 months of 1996 production increased by 0.6 per cent. Alumina production for this period (1661.81) recorded at 4.1 per cent increase compared with 1996; but, crude bauxite production (1897.52 kilo tonnes) registered a 4.0 per cent decline. The increase in alumina production was consistent with steadily improving conditions in the international aluminium market, while the decline in crude bauxite may have been associated with the long established trend of production variation with changes in stockpiling considerations in the United States of America. Total bauxite exports for the six month period increased by 2.5 per cent reflecting solely, increased alumina exports.

Construction and Installation: Unlike changes in the other major productive sectors, there were some positive development in the construction and installation sector. One of the prime indicators of construction activities, residential housing starts, registered an increase from 705 units from the first half of 1996 to 3,112 units during the same period of 1997. The public sector through the Ministry of Environment and Housing, National Housing Corporation and National Housing Trust accounted for all the units started

during the review period.

Cement production and the importation of construction materials also increased, moving by 23.5 per cent and 12.3 per cent respectively, during the six month period, probably reflecting the increased activity in housing starts. Refurbishing information which was limited to factory operation also declined. A total of 4942 square meters which was refurbished during the period costing approximately \$5.2 million. This was less than 69000 square meters refurbished in the same period of 1996. Refurbishing activities took place in Kingston and St. Catherine.

Based on the foregoing changes, indicators are that there were some positive changes in the sector, primarily driven by the residential sub sector. Other changes in major economic indicators were consistent with the overall production changes evident during the period.

- Data on unemployment shows an increase in the unemployment rate between April 1996 (16.1 per cent) and April 1997 (17.2 per cent). Increased unemployment was recorded in all industry group, except Agriculture, Mining, Electricity, Gas and Water and Transport, Storage and Communication.
- Induced by a decline in raw material imports, import growth slowed marginally to a 6.1 per cent growth relative to the increase of 6.3 per cent recorded during

1996. Raw material imports declined by 3.7 per cent reflecting declines in the importation of "industrial supplies" and "other fuel and lubricant".

- Total generation of electricity increased by 6.1 per cent during the January-June period of 1997, just under a half the 12.8 per cent rate of growth registered during the similar period of 1996. All except the larger power rate 50 group registered a deceleration in the rate of growth.

The Service sector: Limited information constrains a complete assessment of performance in the service sector, and hence limits the analysis of overall performance of the economy to date. However available data suggests constrained movement in this sector also. Data on tourism indicates continued growth in the sector, but at a slower pace than that observed in 1996. Total visitor arrivals to the island, the major indicator of performance in the sector, amounted to 999,578, an increase of 6.0 per cent relative to the first half of 1996. The increase in total visitor arrivals was less robust than the 9.0 per cent growth registered in the same period last year.

This slow down in arrivals was attributed to a continuing decline in stop-over arrivals. This category of visitors, which more closely measures growth performance in the industry, remained relatively flat, registering marginal growth of 1.0 per cent.

GDP TRENDS
RECONCILING CHANGES IN PRODUCTION WITH
CHANGES IN REVENUES

APRIL - JULY 1997

THE PLANNING INSTITUTE OF JAMAICA

AUGUST 29, 1997.

INTRODUCTION

Available production data for the first half of 1997 suggest a lower level of production relative to that attained during the similar period of 1996. A similar pattern emerges from the data on imports and unemployment during the period. However, according to data from the Ministry of Finance and Planning, government revenue intake for the April to July period 1997 seem to be presenting a different picture. As at July 1997, revenue collections is reported to exceed budgeted amount by over \$2.0 billion. This analysis represents an attempt to reconcile the apparent differences between changes in production and changes in revenue intake as at July 1997.

CHANGES IN PRODUCTION OF THE MAJOR GOODS PRODUCING SECTORS

Based on production data to June 1997, indications are that the level of output produced by the major goods producing sectors were lower than that observed during the similar period of 1996. With the exception of the Construction and Installation sector, where there were some positive changes in some prime indicators (housing starts, cement production and construction imports), lower output levels characterized the performances of the remaining three major goods producing sectors (Agriculture, Mining and Manufacturing).

In Agriculture, production as measured by the Planning Institutes Index of Agricultural

Production, declined over both the April - June 1997 (13.5 per cent), and January to June 1997 (11.0 per cent) periods. The decline observed, emanated from reduced production in the heavily weighted domestic food crops sub-sector (on average¹, 68.0 per cent of the Agriculture sector and 4.5 per cent of total Gross Domestic Product). As a result of the reduced output of some domestic food crops there was a subsequent shortage of these products on the market, the resulting increase in prices. This was the primary source of the acceleration in the rate of inflation for the month of July.

In manufacturing, production data gleaned from the Planning Institutes production survey, for sub-sectors representing more than 50 per cent of the manufacturing sector, registered decline. In addition export data from the apparel sub-sector, indicates that the sub-sector also declined during the period. Those sub-sectors showing increases during the April - June period of 1997 were the "petroleum products" and "non-metallic minerals" groups, representing about 15 per cent of the output of the manufacturing sector².

Consistent with the decline in the major manufacturing sub-sectors, exports from the sector declined by 7.2 per cent during the period January - May 1997 period and unemployment in the manufacturing increased from a rate of 16.3 per cent in April, 1996 to 23.1 per cent in April, 1997. Combined, these movements suggest a general contraction in the manufacturing sector during the first half of 1997.

¹ Average over the past six years.

² The coverage of the Planning Institute's survey is about 65 per cent of the Manufacturing Sector.

Production in mining and quarrying was relatively flat during the first half of 1997. During the period total bauxite production declined marginally by 0.2 per cent. A decline of 0.5 per cent in total bauxite production was registered for the quarter to June 1997. Excluding the Construction and Installation sector therefore, production results for the first half of 1997 points towards an contraction in output of these sectors, with a combined contribution to Gross Domestic Product (GDP) of approximately 35 per cent.

Other changes consistent with that of production were also evident during the period. Data on unemployment shows an increase in the unemployment rate between April 1996 (16.1 per cent) and April 1997 (17.2 per cent). Increased unemployment was recorded in all industry group, except Agriculture, Mining, Electricity Gas and Water, and Industry not specified. Induced by a decline in raw material imports, import growth for the April - July period of 1997, also slowed (3.5 per cent relative to the 12.3 per cent growth recorded during 1996).

In the services sector, limited information constrains a complete assessment of performance in the services sector, and hence the overall performance of the economy to date. Data on tourism indicates continued growth in the sector, but at a slower pace than that observed in 1996. In addition a slowing in the growth of consumer goods imports suggests a possible reduced level of activities in distributive trade. The continued adjustments/restructuring taking place in the Financial sector would also suggest no significant growth in the sectors output. The change in overall GDP will depend on changes in these and other service

sectors, with a combined contribution of over 70 per cent of GDP.

REVENUE INFLOWS

The Planning Institute is in receipt of three tables from the Ministry of Finance and Planning, detailing revenue inflows for the period April - July 1997. These are:

- budgeted revenue inflows
- actual revenue inflows
- monthly variances between budgeted revenue and actual out-turn.

A calculated variance between budgeted and actual out-turn (aggregated over the period) is presented in table 1, while the monthly variances and the variances summed over the period are presented in table 2. It should be noted that the variances derived from looking at the aggregated budgeted figures were different from a sum of the monthly variations.

Budgeted revenue versus actual out-turn (aggregated tables)

According to the aggregated figures as at July 1997, there was a marginal 1.5 per cent or \$320.1 million increase in total revenues and grants collected over budgeted amount (see table 1). Such a relatively small variation may be explained by many plausible reasons including forecasting errors which are likely to be larger given the efforts being made to

improve tax administration, and hence should be used to support an above zero growth in the economy during the period. Further, a 1.5 per cent nominal growth in total revenues, over and above budgeted levels, translates into a real decline of 1.4 per cent, given the 2.9 per cent inflation recorded during the period. If this is true, then the difference between the actual and budgeted out-turn for the period is supportive of the general decline observed in the major goods producing sectors.

A more realistic comparison however, in assessing the level of activity from revenue inflows, is the comparison of actual out-turns. Relative to the similar period of FY 1996/97, collections from total revenues and grants during the April - July period of FY 1997/98, declined by 0.2 per cent. This compares unfavourably with a relatively robust 20.1 per cent growth which was registered during the similar period of FY 1996/97 (see table 3). Total revenue (excluding grants) registered a marginal 1.3 per cent increase during the first four months of FY 1997/98 compared with a 19.6 per cent growth registered during the same period of FY 1996/97. Correcting for inflation, there was a real decline in the total revenue and revenue and grants 3.1 per cent and 1.6 per cent respectively. During the April -July 1996 period the comparable movements were growth of 16.5 per cent and 16.0 per cent respectively. If these changes reflect underlying changes in economic activities, then the pace of growth during the current period was lower than that which obtained during the similar period of the previous year, a conclusion consistent with that emerging from supply side changes.

Variances in revenue collections on a monthly basis

The variance between the zero growth budget and actual revenue out-turn (calculated on a monthly basis between April - June) was not consistent with the variance calculated (by the PIOJ) from the tables presenting the aggregated out-turn for the period April- June 1997. While the aggregated figures would seem to support the changes in production as outlined above, the monthly variances are larger. Based on a base scenario, zero growth projection by the Ministry of Finance and Planning (MOFP) calculated monthly, total revenue out-turn for the fiscal year to July 1997, was \$2,054.7 million above projection. At a first glance, this points to economic activity above the zero growth projection. However, a more detailed look at the revenue sub-category points towards other possibilities.

1. As is customary Tax Revenue represents the major contributor to the increased revenue inflows. Taxes on income and profits, accounted for about a half of the increase, with the PAYE category, other companies and tax on interest supporting the growth. The growth in taxes from PAYE was largest in April and July, the latter being the greater of the two. The payment of retroactive salaries to the Jamaica Constabulary Force, Jamaica Defence Force, and some Local Government Workers in April, and similar payments to the teachers in July would have contributed to these movements.

2. The above projection collections of tax on interest may be reflecting the maturity of high interest bearing instruments during the period (April and May). In addition, the

minister of Finance and Planning announced on the 28th August, that expenditure levels³ were running ahead of budgeted amounts because of higher than expected interest payments. If these are paid on local investment instruments, then it would follow that tax collected from this increased outflow would also be above projection.

3. Improvements in revenue from other companies may reflect collections from specific companies (presumably large) in sub-sectors registering growth. In manufacturing, for example, while the food processing as a group may have declined, products like condensed milk and poultry meat registered increases, albeit at lower levels than for the similar period last year. In addition, other groups like petroleum products and non-metallic minerals registered increased output. Most of the petroleum products categories registered increases with gasoline and fuel oils, the two largest categories registering an acceleration in the rate of growth relative to the similar period last year (EU&O Table A21, Page 24). Cement production (in the non-metallic minerals group) registered a 24 per cent growth in output. During the similar period of 1996, there was an 11.0 per cent decline. Revenue collections from these sources may have increased. Further, tax collections from companies are not necessarily paid when they are due. A surge in any particular period may not therefore be a reflection of economic activity in that period, but also reflects past economic activity.

4. In the production and consumption group, the Special Consumption Tax, General Consumption Tax and Education Tax categories provided the major part of revenue

³Information on budgeted and actual expenditure for the April - July 1997 period is not yet available to the PIOJ.

collections. The largest contributor, Special Consumption Taxes, reflects tax collections from petroleum products, spirits, cigarettes, etc. The data on manufacturing indicates a faster rate of growth in the petroleum product category during April to June. Thus an increased revenue collection from this source is not inconsistent with production data.

The increase in the General Consumption Tax occurred in April, the month in which some retroactive payments were made (as stated before). Delayed payment of this tax category is also plausible.

5. Revenue collection from international trade made a major contribution to the "greater than expected" revenue collections during April - July, 1997. In particular customs duty and GCT on imports. Trade data available to May, 1997 shows that while there has been a slowdown in the total imports (including consumer goods imports) for the January - May 1997 period, imports of consumer goods continued to be robust.

6. Finally, during the January - March quarter of 1997, revenue out-turn fell below projected levels. The above projection collections in the subsequent four month period may reflect a delay in the payments of taxes, generally paid during the preceding quarter. If economic activities have slowed, such delay cannot be ruled out.

Based on the foregoing analysis, the Planning Institute of Jamaica stands by its assessment

of the economy for the first half of 1997 as presented in the brief on the economy prepared by the Economic Planning and Research Division (a copy attached for ease of reference).

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A REVIEW OF TRADE IN GOODS & SERVICES

JANUARY - JUNE 1997

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**PLANNING INSTITUTE OF JAMAICA
SEPTEMBER 10, 1997.**

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BALANCE OF TRADE IN GOODS AND SERVICES

The balance of trade in goods and services deteriorated during the January - June period of 1997, in contrast to a small improvement recorded for the corresponding period of 1996. The deficit increased from US\$296.2 million in 1996 to US\$395.8 million in 1997 reflecting solely the deterioration in the merchandise trade balance. Although the net services balance rose by US\$10.9 million, it was not enough to compensate for a US\$110.4 million increase in the merchandise trade deficit.

MERCHANDISE TRADE

Overall merchandise trade performance deteriorated during the first half of 1997 as the deficit widened by 16.9 per cent to US\$764.2 million. This resulted from a 6.1 per cent increase in the value of imports to US\$1,459.6 million coupled with a 3.7 per cent fall in export earnings to US\$695.5 million. Similar results were recorded for the first half of 1996 when the value of imports grew by 6.3 per cent and export earnings declined by 3.4 per cent.

The continued contraction in export earnings highlight the difficulties that continue to face the export sector, despite the pick up in export growth in 1994 and 1995. The deterioration in 1997 reflected further contraction in apparel export earnings as well as earnings for a number of other commodities including other non-traditionals like food, and crude materials, and traditionals such as sugar, bananas, and citrus. Non-traditional food exports including yams, etc. were adversely affected by prevailing drought conditions, the volume of sugar exported declined as production remained behind target while bananas and citrus were primarily affected by lower export prices. Alumina, coffee, cocoa, and rum were the traditional commodities which saw increases while beverages & tobacco was the only non-traditional commodities for which an increase was recorded.

Although the overall import growth was slightly slower in 1997, there was a relative shift in the out-turn of the three major end-use import categories which should be noted. Specifically, the sharp deceleration in consumer import growth in from 48.9 per cent in

1995 to 15.2 per cent in 1996 was not sustained in 1997. On the contrary, the growth rate quickened to 20.2 per cent, led by a jump in consumer food imports (which moved from a decline of 0.7 per cent in 1996 to an increase of 25.8 per cent in the current period) but also due to significant acceleration in imports of semi-durable goods and motor cars. This growth rate was significantly influenced by an acceleration in the monthly growth rate in the latter part of the January - June period (See figure).

The increase in consumer food imports served to augment domestic food supplies partially due to a reduction in domestic food production attributed to drought. A breakout of consumer food imports highlights the particular items that accounted the greater part of the increase in value¹. These included:

- (a) frozen and prepared meats, in particular, mutton, chicken legs, thighs and leg quarters, other chicken cuts and offals, and canned corned beef.
- (b) frozen and prepared fish, such as frozen snapper, etc., mackerel, salted mackerel, herrings and saithe.
- (c) rice,
- (d) refined sugar,
- (e) cereal products (swelling or roasting of cereals),
- (f) infant formula,
- (g) aerated beverages,
- (h) sweetened biscuits,
- (i) fresh fruit including grapes, cantaloupes, peaches and plums, and
- (j) fresh vegetables².

The US was the primary source of food imports(49.9 per cent) followed by Canada (7.5 per cent), Trinidad & Tobago (6.1 per cent), Brazil (2.8 per cent) and Guyana (2.8 per cent). The share of these imports from the US fell from 58.6 per cent in January - June period of 1996, whereas the share from the other countries listed increased.

¹ The items represented just under two-thirds of total consumer food exports for the January - June period.

² The increase in imports of fresh vegetables is based on data for January - May

In contrast to the jump in consumer goods, imports of raw materials declined by 3.7 per cent compared with an increase of 2.9 per cent in the similar period of 1996. Imports of crude oil and food were the two raw material categories that increased but the larger categories of industrial supplies, fuel & lubricants and parts & accessories of capital goods all declined. Some of the more heavily weighted raw material items to decline were: sodium hydroxide in aqueous solution (primarily for use in the bauxite industry), and (b) parts of garments and clothing (probably reflecting reduced activity in the apparel sector).

Imports of capital goods rose by 16.9 per cent compared with a smaller growth of 5.7 per cent in the corresponding period. This was influenced heavily by the importation of an aeroplane in February which pushed up the industrial transport equipment category and a rise in imports of construction materials. The primary contributors to the increase in construction material imports were various items of lumber and wood products, ceramic and wall tiles, bars and rods and other structures of iron or steel³.

TRADE IN SERVICES

Net service inflows for the period January - June 1997 totaled US\$368.4 million. This was US\$10.9 million or 3.1 per cent above net inflows for the corresponding period of 1996. The reason for this increase was a US\$25.6 million reduction in net outflows of investment income and a US\$0.5 million reduction in net outflows from other services which together outweighed a US\$15.2 million decline in net inflows from foreign travel. The reduction in net inflows from foreign travel reflected a US\$31.6 million increase in outflows which outweighed a US\$16.4 million increase in inflows (primarily from tourism). Though inflows increased, the increase was smaller than in 1996 (the increase in 1996 was US\$40.6 million) reflecting a slower increase in total visitor arrivals. Total visitor arrivals grew by 6.4 per cent compared with a growth of 9.4 per cent in the corresponding period of 1996. Earnings were particularly constrained by slow growth in the stop over category where expenditure per visitor is more than for the cruise passenger

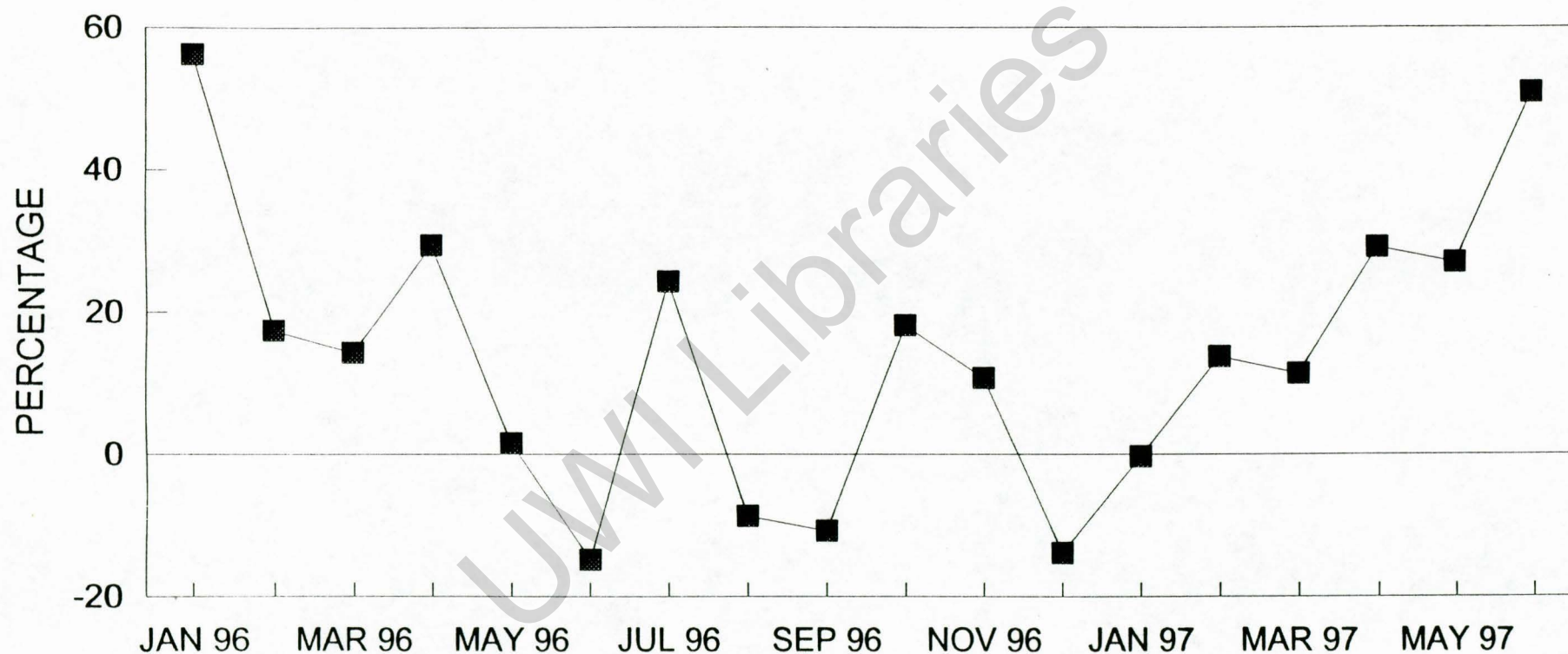
³ These items represented approximately 50 per cent of total construction materials imported during the January - June period.

category. Stop-over arrivals grew by only 1.0 per cent during the period compared with 5.1 per cent in 1996 while growth cruise passenger arrivals accelerated to 15.8 per cent compared with a growth rate of 14.3 per cent in 1996.

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MONTHLY GROWTH IN CONSUMER IMPORTS

JANUARY 1996 - JUNE 1997



■ GROWTH RATES OF CONSUMER IMPORTS

Growth rates are relative to the corresponding month of the preceding year

TABLE 1
TRADE IN GOODS AND SERVICES (US\$ Million)
JANUARY - JUNE 1995 - 1997

	JAN-JUN 1995	JAN-JUN 1996	JAN-JUN 1997	ABSOLUTE CHANGE		PERCENTAGE CHANGE	
				1996/1995	1997/1996	1996/1995	1997/1996
MERCHANDISE TRADE BALANCE	-547.1	-653.7	-764.1	-106.6	-110.4	19.5	16.9
total imports	1294.5	1375.8	1459.6	81.3	83.8	6.3	6.1
total exports	747.4	722.1	695.5	-25.3	-26.6	-3.4	-3.7
NET SERVICES	237.3	357.5	368.4	120.2	10.9	50.7	3.0
foreign travel	407.2	470.4	455.2	63.2	-15.2	15.5	-3.2
investment income	-149.0	-101.3	-75.7	47.7	25.6	-32.0	-25.3
other services	-20.9	-11.6	-11.1	9.3	0.5	-44.5	-4.3
BALANCE ON GOODS & SERVICES	-300.0	-296.2	-395.8	3.8	-99.6	-1.3	33.6

Source: BOJ

TABLE 2
EXPORTS OF TRADITIONAL & NON-TRADITIONAL GOODS (US\$ '000s)
JANUARY - JUNE, 1995 - 1997

COMMODITIES	JAN-JUN 95	JAN-JUN 96	JAN-JUN 97	Percentage Change	
				1996/1995	1997/1996
TOTAL TRADITIONAL EXPORTS	459761	493910	487804	7.4	-1.2
Agriculture:	48116	47639	45433	-1.0	-4.6
Banana	26907	24900	22270	-7.5	-10.6
Citrus	2702	3749	3542	38.7	-5.5
Coffee	15141	16465	17269	8.7	4.9
Cocoa	1455	900	1223	-38.1	35.9
Pimento	1913	1625	1129	-15.1	-30.5
Mining:	312147	335182	346421	7.4	3.4
Bauxite	37947	39008	37724	2.8	-3.3
Alumina	273604	295460	308068	8.0	4.3
Gypsum	595	714	629	20.0	-11.9
Manufacture:	99298	111089	95950	11.9	-13.6
Sugar	84121	97789	81531	16.2	-16.6
Rum	11932	11789	13056	-1.2	10.7
Citrus Products	1788	194	112	-89.1	-42.3
Coffee Products	275	407	257	48.0	-36.9
Cocoa Products	1491	916	994	-38.6	8.5
TOTAL NON-TRADITIONAL EXPORT	264388	211612	191588	-20.0	-9.5
Food:	38603	41034	38083	6.3	-7.2
Cucumbers	56	40	39	-28.6	-2.5
Pumpkins	775	559	400	-27.9	-28.4
Other Vegetables	234	7	5	-97.0	-28.6
Dasheens	777	583	463	-25.0	-20.6
Sweet Potatoes	664	686	703	3.3	2.5
Yams	5801	5295	5276	-8.7	-0.4
Avocados	5	n.a.	n.a.	-	-
Mangoes	762	661	653	-13.3	-1.2
Watermelons		n.a.	n.a.	-	-
Papayas	3732	3245	2141	-13.0	-34.0
Other Food Exports	25797	29938	26363	16.1	-11.9
Beverages & Tobacco (excl. Rum)	12008	9160	11162	-23.7	21.9
Crude materials:	3904	3412	3329	-12.6	-2.4
Cut Flowers	554	466	328	-15.9	-29.6
Foliage & other Live Plants	646	590	437	-8.7	-25.9
Other	2703	2358	2564	-12.8	8.7
Other:	209873	158066	139034	-24.7	-12.0
Wearing Apparel	147047	126668	107931	-13.9	-14.8
Furniture	1591	1634	973	2.7	-40.5
Other Domestic Exports	61235	29704	30130	-51.5	1.4
TOTAL DOMESTIC EXPORTS	724149	705522	679392	-2.6	-3.7
RE-EXPORTS	23265	16620	16074	-28.6	-3.3
TOTAL EXPORTS	747414	722142	695466	-3.4	-3.7

Source: STATIN

TABLE 3
IMPORTS BY ECONOMIC END-USE CATEGORIES (US\$'000)
JANUARY - JUNE, 1995 - 1997

END-USE CATEGORIES				Percentage Change	
	JAN-JUN 95	JAN-JUN 96	JAN-JUN 97	1996/1995	1997/1996
TOTAL	1,294,516	1,375,781	1,459,625	6.3	6.1
Consumer Goods	296,302	341,452	410,393	15.2	20.2
Food (incl. Beverages)	97,215	96,526	121,395	-0.7	25.8
Non-Durable Goods	86,626	116,555	126,081	34.5	8.2
Semi-Durable Goods	15,478	18,430	28,248	19.1	53.3
Durable Goods - Motor Cars	56,465	63,788	84,612	13.0	32.6
Other Consumer Durables	40,517	46,153	50,057	13.9	8.5
Raw Materials	754698	776920	748472	2.9	-3.7
Food (incl. Beverages)	66681	80832	90076	21.2	11.4
Industrial Supplies	383230	374673	338129	-2.2	-9.8
Crude Oil	61586	48397	65657	-21.4	35.7
Other Fuels and Lubricants	135133	159752	141479	18.2	-11.4
Parts & Access. of Capital Goods	108068	113266	113131	4.8	-0.1
Capital Goods	243516	257409	300760	5.7	16.8
Transport Equipment - Motor Cars	8524	3655	3063	-57.1	-16.2
Other Indus. Transport Equipment	45986	36714	86323	-20.2	135.1
Construction Materials	74193	66119	76572	-10.9	15.8
Machinery and Equipment	111650	147624	131323	32.2	-11.0
Other Capital Goods	3164	3297	3479	4.2	5.5

TABLE 4
FOOD IMPORTS BY COUNTRIES (US\$ '000s)
JANUARY - JUNE, 1996 - 1997

selected countries	1996	1997	Absolute change	% change	Share of total Imports 1996	Share of total Imports 1997
United Kingdom	7,272.4	8,001.2	728.8	10.0	4.3	3.9
Canada	11,038.6	15,261.9	4,223.3	38.3	6.5	7.5
United States	99,739.4	101,269.4	1,529.9	1.5	58.6	49.9
Australia	1,004.8	3,892.8	2,888.0	287.4	0.6	1.9
Pakistan	0.0	2,066.7	2,066.7	---	0.0	1.0
Barbados	979.1	1,475.1	496.1	50.7	0.6	0.7
Guyana	1,493.4	5,684.1	4,190.8	280.6	0.9	2.8
Trinidad and Tobago	9,529.4	12,461.7	2,932.3	30.8	5.6	6.1
Mexico	135.9	1,338.2	1,202.3	884.8	0.1	0.7
Argentina	869.5	1,431.4	561.9	64.6	0.5	0.7
Belgium	1,585.2	2,925.2	1,340.1	84.5	0.9	1.4
Brazil	3,541.1	5,690.6	2,149.5	60.7	2.1	2.8
Suriname	842.0	1,734.3	892.3	106.0	0.5	0.9
T. imports from selected countries	138,030.6	163,232.5	25,201.9	18.3		
Total Food Imports	170,192.1	202,860.5	32,668.4	19.2		

Source: STATIN

TABLE 5
SELECTED IMPORTS OF PROCESSED FOOD (US\$ '000s)
JANUARY - JUNE 1995 - 1997

SITC	Food Type/Name	Jan - Jun 1995	Jan - Jun 1996	Jan - Jun 1997	Absolute Change		Percentage Change	
					1996/1995	1997/1996	1996/1995	1997/1996
0121210000	frozen lamb carcasses (mutton)	2338.51	1561.38	1907.56	-777.1	346.2	-33.2	22.2
0123530020	frozen chicken legs, thighs, leg-quarters and drumsticks	4676.33	3164.74	4741.69	-1511.6	1577.0	-32.3	49.8
0123530090	frozen chicken cuts and offal other than livers and nesoi	45.12	59.25	622.40	14.1	563.2	31.3	950.5
0176100000	canned corned beef	6948.32	2847.11	6836.09	-4101.2	3989.0	-59.0	140.1
0223310000	ice cream, whether or not containing cocoa	0.00	2.43	236.67	2.4	234.2		9639.5
0342820000	frozen snapper, shark, coaker, grouper dolphin, bangamary and sea trout.	735.45	1704.50	1830.91	969.1	126.4	131.8	7.4
0351310000	salted mackerel, herrings, alewives and saithe etc.	4610.96	3904.92	7372.32	-706.0	3467.4	-15.3	88.8
0371400000	mackerel	4804.89	1709.84	4274.84	-3095.1	2565.0	-64.4	150.0
0423160000	other wholly milled white rice	1328.47	1626.17	2717.40	297.7	1091.2	22.4	67.1
0481100000	swelling or roasting of cereals and cereal products	2153.71	2051.98	2725.62	-101.7	673.6	-4.7	32.8
0481200000	other cereal preparations	531.21	772.08	1136.97	240.9	364.9	45.3	47.3
0484010000	unsweetened biscuits	489.37	746.43	715.82	257.1	-30.6	52.5	-4.1
0484020000	sweetened biscuits	1288.44	1920.76	2631.06	632.3	710.3	49.1	37.0
0612920000	refined sugar	76.78	3123.11	7208.24	3046.3	4085.1	3967.6	130.8
0989300010	infant formula	3612.19	2835.68	11915.12	-776.5	9079.4	-21.5	320.2
1110210000	aerated beverages, containing added sugar/other sweetening matter or flavoured	6254.73	6950.22	9009.27	695.5	2059.1	11.1	29.6
0574000000	apples (fresh)	68.10	263.59	208.80	195.5	-54.8	287.1	-20.8
0575100000	grapes (fresh)	20.64	26.31	76.01	5.7	49.7	27.5	188.9
0579200000	cantalopes	6.15	20.97	34.97	14.8	14.0	241.0	66.8
0579300000	apricots, cherries, peaches	6.34	17.66	35.88	11.3	18.2	178.5	103.2
0579400000	plums (fresh)	5.25	21.57	42.27	16.3	20.7	310.9	96.0
		Jan - May 1995	Jan - May 1996	Jan - May 1997	Absolute Change		Percentage Change	
					1996/1995	1997/1996	1996/1995	1997/1996
Fresh Vegetables:								
	Cabbage	14.98	18.87	62.98	3.89	44.11	26	233.8
	Lettuce	18.33	43.39	69.11	25.06	25.72	136.7	59.3
	Carrots	8.05	97.31	192.55	89.26	95.24	1108.8	97.9
	Other Vegetables	0.09	13.32	3.51	13.23	-9.81	14700	-73.6
	Sweet Peppers	5.74	25.74	34.56	20	8.82	348.4	34.3

Source: STATIN

TABLE 6
SELECTED IMPORTS OF INDUSTRIAL SUPPLIES (US\$ '000s)
JANUARY - JUNE, 1995 - 1997

SITC	Food Type/Name	Jan-Jun 1995	Jan-Jun 1996	Jan-Jun 1997	Absolute change		Percentage Change	
					1996/1995	1997/1996	1996/1995	1997/1996
0813100000	oil-cake & other solid residues resulting from the extraction of soya bean oil.	5123.29	7381.00	12529.05	2257.7	5148.1	44.1	69.7
1212000000	unmanufactured tobacco	2516.62	4396.60	8490.78	1880.0	4094.2	74.7	93.1
2482900000	other coniferous sawn, chipped, sliced	0.00	1999.94	2806.51	1999.9	806.6	—	40.3
4311000000	animal & veg. fats & oils; boiled, oxidised, dehydrated, sulpherized, etc.	872.96	565.46	1079.83	-307.5	514.4	-35.2	91.0
5226300000	sodium hydroxide in aqueous solution ****	14128.25	20778.36	8334.99	6650.1	-12443.4	47.1	-59.9
5730000000	polimers of vinyl chloride or halogenated olefins in primary form.	2633.03	1844.43	2310.72	-788.6	466.3	-30.0	25.3
5759200000	other vinyl polimers	784.71	1789.68	969.08	1005.0	-820.6	128.1	-45.9
5972000000	anti-knock preparations, oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations, other prepared additives for mineral oils (inclg. gasoline)	5210.96	3755.37	5250.051	-1455.6	1494.7	-27.9	39.8
6416320000	toilet or facial tissue stock	1510.99	2541.03	2109.15	1030.0	-431.9	68.2	-17.0
8461990000	parts of garments or of clothing	48272.19	74703.45	49818.03	26431.3	-24885.4	54.8	-33.3
8462010000	panty hose and tights of synthetic fibres	45200.23	30925.53	34893.54	-14274.7	3968.0	-31.6	12.8

**** Primarily bauxite industry imports

Source: STATIN

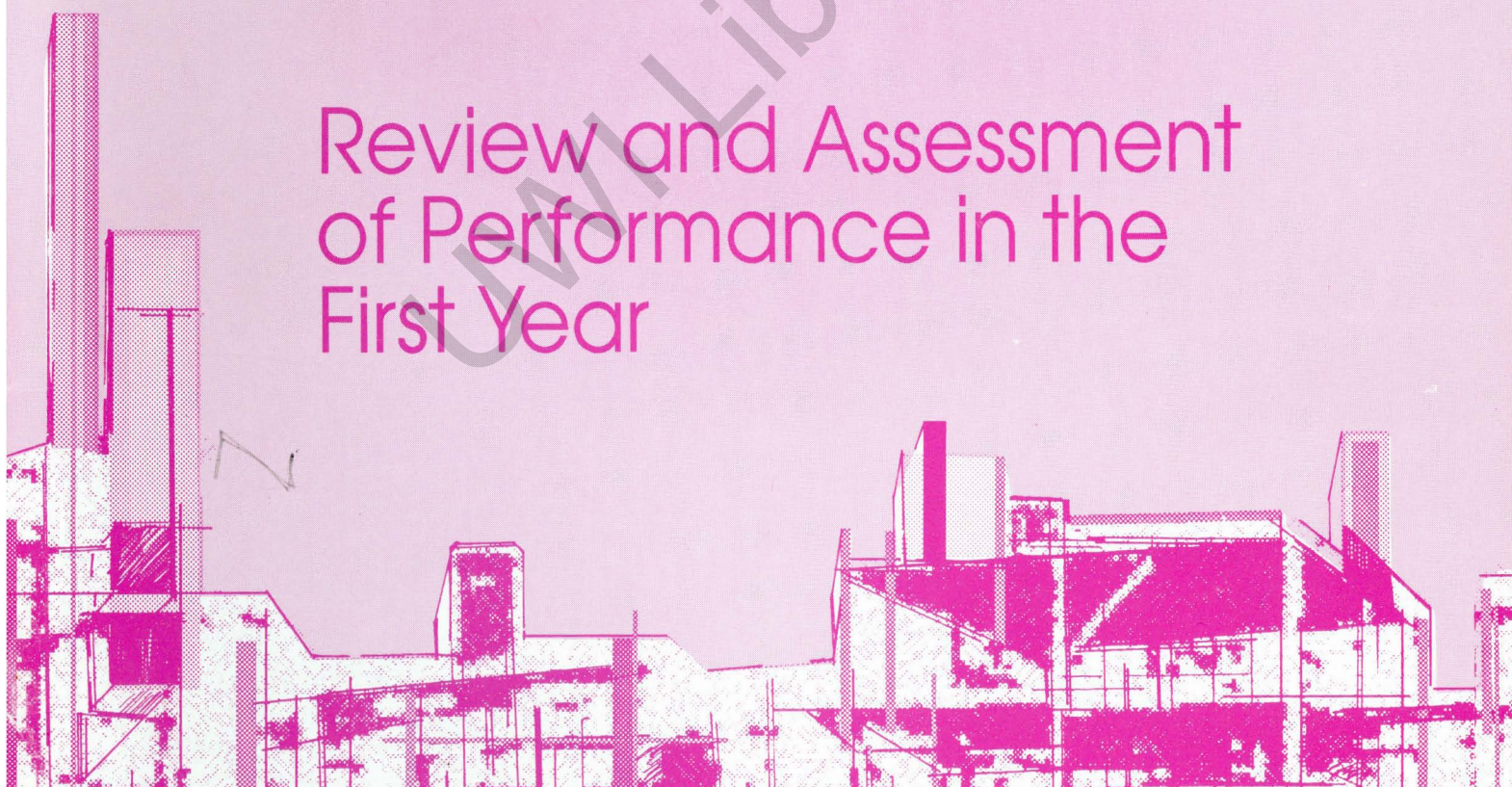
TABLE 7
SELECTED IMPORTS OF CONSTRUCTION MATERIALS (US\$ '000s)
JANUARY - JUNE, 1995 - 1997

SITC	Food Type/Name	Jan - Jun 1995	Jan - Jun 1996	Jan - Jun 1997	Absolute change		Percentage Change	
					1996/1995	1997/1996	1996/1995	1997/1996
2482100000	pitch-pine sawn, chipped, sliced, etc.	3437.80	2890.69	3215.28	-547.1	324.6	-15.9	11.2
2482900000	other coniferous sawn, chipped, sliced	11710.42	7414.98	7596.54	-4295.4	181.6	-36.7	2.4
6343000000	plywood consisting solely of sheets of wood	5041.83	3170.86	3961.64	-1871.0	790.8	-37.1	24.9
6624510000	glazed ceramic hearth or wall tiles	3674.16	4388.40	5029.31	714.2	640.9	19.4	14.6
6762900000	other bars and rods, not further worked than hot-rolled	9858.56	5913.58	7509.01	-3945.0	1595.4	-40.0	27.0
6781010000	wire of iron	678.94	633.23	229.81	-45.7	-403.4	-6.7	-63.7
6911900000	other structures (e.g., bridges, lockgates, towers) of iron or steel; plates, rods, angles etc., prepared for use in structures.	3253.76	3043.26	3083.46	-210.5	40.2	-6.5	1.3

Source: STATIN

NATIONAL INDUSTRIAL POLICY

Review and Assessment
of Performance in the
First Year



NATIONAL INDUSTRIAL POLICY

Review and Assessment
of Performance in the
First Year

Technical Secretariat
Development Council
Office of the Prime Minister

1997 JULY 17

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EXECUTIVE SUMMARY

A. Background

1. The National Industrial Policy (NIP), adopted in March 1996 after careful study and intensive consultations, expresses the consistent principles, policies, and programmes that underpin Government's long-term vision of the pathway to a more prosperous economic future with a better quality of life for the Jamaican people.
2. In the course of the first year since adoption of this Policy, efforts have been made to implement various initiatives and measures called for in the Policy and to involve in this process both the responsible government agencies and groups in the private sector.
3. This review takes stock of the progress made to date, the hurdles that remain to be overcome, and the priorities to be confronted in the period immediately ahead.

B. The Social Partnership

1. Continuing efforts were made throughout the year to negotiate the terms of a structured agreement as the basis for a Social Partnership that would allow cooperation in decision-making and action among all the partners.
2. Detailed terms of an agreement have been worked out and remain to be approved by all partners.
3. In the meantime, Government has moved to implement various initiatives, as indicated in this review, in its determination to establish the conditions and requirements for such a Partnership to work effectively. The achievement of macroeconomic stability is itself a major plank in this process. Other initiatives at the microeconomic level have also served this goal.
4. The National Planning Council continued to play a role in coordinated planning and action among the partners. Industry Advisory Councils are being formed to focus on sector-specific issues in the sectors targeted by the NIP.

C. Macroeconomic Stabilisation

1. The main focus and priority of the overall policy-thrust in the first year was the commitment to achieve macroeconomic stability, specified in terms of a decline in inflation, reduced interest rates, and a stable exchange rate. This objective has been substantially achieved.

2. This achievement lays the groundwork necessary for moving the economy forward now in the transition to the new phase of growth with stability as called for in the NIP.
3. Some of the necessary elements now in place for making this transition are: the weakening of inflationary expectations and reduction in the cost of capital for investment in production.
4. Overall external-trade performance has been characterised by chronic deficits in merchandise trade and in the current account. However, as a percent of GDP, the trade deficit actually declined this past year, while the balance of goods and services and the current account balance held steady. An aggressive export expansion programme, coupled with measures designed to reduce the cost of imported inputs, will seek to address the requirements for continued reduction in the deficit during the next phase of policy implementation.

D. Stimulating Investment and Growth

1. The economic adjustments taking place this past year are a necessary condition of the transition process to a new phase of growth with stability, given the past history of Jamaica's economic performance. Some features of this process have been favourable to investment and growth, but other factors have tended to play an inhibiting role, resulting in a shortfall in actual growth below projected targets indicated in the NIP. Among these other factors are the restructuring taking place in the financial sector and the fact that many firms still suffer from the handicap of a heavy debt overhang. Government has sought to address directly these factors.
2. Various methods and techniques have been developed for (a) increasing the supply of funds available through public-sector lending institutions, (b) improving conditions of access for small and medium-size firms with viable projects that generate employment and export earnings, and (c) channeling funds to allow restructuring and refinancing of viable enterprises.
3. The Financial Institutions Structural Adjustment Company (FINSAC) has been established by Government to deal with problems of the financial sector. A well-structured programme of rehabilitation has been instituted to deal with cases of weakness. New measures for reform, monitoring, and supervision are being developed that will strengthen the sector and maintain its viability as a vital element in the economy.
4. These efforts on the financial side have been complemented by other government-sponsored efforts in the areas of fiscal incentives, support services for marketing and production, investment packaging, remedying bottleneck factors through investment facilitation, and pursuit of an aggressive trade policy.
5. A quantitative assessment of the outcome of these efforts in terms of actual investments is provided by an analysis of investment projects in the pipeline passing through the public sector institutions. This analysis shows that there is a large volume of projects, widely distributed over different economic sectors, that are on stream or have reached actual start-up.

E. Sectoral and Micro-level Initiatives

1. At the sectoral and micro-level, various activities have been carried out and new initiatives and targets proposed for continued action in furtherance of the goals of the NIP. These are reviewed in detail for individual sectors and product lines in relation to seven specific objectives that serve to operationalise the broad goals of the NIP.
2. The detailed data presented reveal a significant record of achievement on all counts. Especially notable are achievements in the areas of market penetration and export diversification and in organizational strengthening through building strategic alliances and networks among firms and agencies. Strong efforts are also being made in particular sectors to develop a sharper focus on product design and quality issues and on the exploitation of synergies between sectors.
3. Areas of weakness exist, specifically as regards efforts to improve productivity. This area must now be given renewed emphasis and close attention.
4. There were significant cases of factory closures in the manufacturing sector and weakness in performance of some farm crops. Assistance is being provided to affected firms in targeted sectors, such as Apparel and Sewn Products and the Dairy Industry. Government has put in place a broad-based support programme to deal with adjustments taking place in manufacturing and agriculture, including: anti-dumping legislation, improved monitoring and testing of imports, technical support services, training schemes, financial assistance at affordable interest rates, and infrastructural investments.
5. At the same time, there were significant expansion programmes taking place in a wide range of economic activities, representing a positive response to existing opportunities and opening up of new opportunities, and resulting from private-sector initiatives buttressed by government support. Examples are detailed in this review.

F. The Incentive Regime

1. Various initiatives were taken during the year to amend existing legislation so as to establish a more flexible programme of incentives that benefits a broader cross-section of firms and is oriented equally to services, agriculture, and manufacturing activity.
2. In the next phase of NIP implementation, efforts are to be made to undertake a systematic overhaul of the entire incentive regime, consistent with the general thrust of the Policy and evolving international rules.

G. Infrastructure Investment and Human Resource Development

1. Strong emphasis was placed on these twin planks of the government's development thrust, within the tight constraint of a fiscal budget that leaves limited resources for capital expenditures. To relieve this constraint, Government has sought to mobilise additional resources from the local private sector and external sources and to introduce cost recovery mechanisms.
2. Major projects were undertaken or slated to begin during the year in targeted areas of physical infrastructure, including: water supply, irrigation, & sewerage; transportation; roads; seaport and airport facilities; communications; energy; industrial parks/free zones.
3. The programme in human resource development continued to concentrate resources on improvement and expansion in the targeted areas of early childhood, primary and secondary education, and to provide training through the HEART/NTA system.
4. Systematic application of science and technology to meet diverse and changing needs in the economy and society is being pursued through a wide range of activities in research and development, product design, testing, quality control, information processing and dissemination, education and training. The various public agencies involved are being reoriented to focus their efforts. New initiatives are emerging from the private sector.

H. Strengthening the Institutional Framework

1. Crucial elements of the institutional structure that underpins the working of the economy and facilitates the process of growth and development have been the focus of attention and action during the year. These include: (a) the competitive rules governing market structure and behaviour of firms, (b) the capital-market institutions (banking, credit, insurance, and stock market), (c) the labour market, and (d) the administrative apparatus of the public sector.
2. In all of these areas, specific reform measures have been introduced to strengthen the institutions through appropriate legislative action, through the monitoring and supervisory role of state agencies, and through active consultation and joint action between Government and interested parties.

I. Priorities for the Next Phase of Policy Implementation

1. The next phase of policy implementation will focus on building on the gains already achieved so as to meet the central objective of this new phase: growth with stability.
2. Having created the conditions for macroeconomic stability, the aim is to preserve those conditions by rigorous pursuit of the appropriate monetary and fiscal policies. At the same time, it will be necessary to move the policy-mix towards greater emphasis on measures to promote investment in the productive sectors and growth of exports.

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3. The key elements of the implementation strategy during this next phase are the following:
- * Strengthen and reinforce measures to provide the appropriate environment of stability and predictability to facilitate long-term investment.
 - * Design measures to shift the balance of investment decisions from short-term financial instruments to long-term investment in the productive sectors.
 - * Pursue an aggressive export-expansion programme based on proven strengths in dynamic sectors of the economy that are ripe for expansion.
 - * Orient government budgetary allocations to investment in human resources and infrastructure, the incentive system, and a broad-based support framework, so as to remedy bottlenecks and constraints facing producers in the targeted sectors.
 - * High priority is to be given to education and training of the labour force, concentrating on early education as the base of the process, in a push to prepare adults and the new generation to cope with rapid changes taking place in the economy and society.

1. BACKGROUND

1.1 The National Industrial Policy (NIP) was adopted by Government in March 1996 as the outcome of careful study and intensive consultations held over the previous two years. *It expresses the consistent principles, policies, and programmes that underpin Government's long-term vision of the pathway to a more prosperous economic future with a better quality of life for the Jamaican people.*

1.2 The National Industrial Policy provides *a strategic plan* to guide the Jamaican economy on a path of renewed growth and development and pave the way for Jamaica's entry into the 21st century. Its central concern is to promote investment, productivity and growth in the productive sectors of the economy. Its goal is, through growth of output and productivity and diversification of production, to achieve a sustainable basis for reducing unemployment and poverty and increasing income of the Jamaican people.

1.3 Conceived as *a comprehensive and integrated approach to economic policy*, it has the complementary goals of achieving greater social equity among different socio-economic groups and preserving the natural environment.

1.4 The *strategic focus* of the NIP is on (a) export push, through building and sustaining targeted areas of competitive advantage in the national economy, and (b) efficient import substitution, consistent with the emphasis on international competitiveness as the key element of the Policy.

1.5 The NIP sets out a structured programme of measures dedicated to achieving these objectives in a sequential manner. It also indicates certain *implementation procedures* to be adopted over the short-, medium-, and long-term planning horizon.

1.6 *Fully one year has now passed since adoption of the NIP.* In the course of this period, efforts have been made to implement various initiatives called for in the Policy and to involve in this process both the responsible government agencies and groups in the private sector. All relevant government agencies have been required to develop action plans to ensure implementation of the Policy and to coordinate action among agencies where necessary to ensure consistency.

1.7 At the same time, significant adjustments have been taking place in the Jamaican economy, reflecting ongoing changes brought on by international and national factors and by the interventions of the NIP itself.

1.8 This review seeks to take stock of the progress made to date, the hurdles that remain to be overcome, and the priorities to be confronted in the period immediately ahead.

2. THE SOCIAL PARTNERSHIP

2.1 Continuing efforts were made throughout the year to negotiate the terms of *a structured agreement* that would provide the basis for a Social Partnership. Formation of this Partnership is seen as an important and necessary foundation for establishing shared goals, participation in planning and implementation of policy, and an environment of cooperation in economic management and decision-making among all the partners.

2.2 Detailed terms of an agreement have been worked out and remain to be approved by all partners. To the extent that the institutional framework and other elements cannot be implemented unilaterally, the Government will continue to seek the cooperation of the other social partners and is fully prepared to implement them when all partners are in agreement.

2.3 In the meantime, the Government, on its part, has moved to implement various initiatives in its determination to establish the conditions and requirements for such a Partnership to work effectively. *The achievement of macroeconomic stability during this past year is itself a major plank in this process*, as promised in the NIP. Other initiatives at the microeconomic level, outlined below, have also served this goal.

2.4 The *National Planning Council* has continued to play a role as a forum through which strategic planning and coordinated action can take place among the partners.

2.5 Formation of *Industry Advisory Councils* has been occurring within each of the targeted clusters identified by the NIP, with significant advances in the (sub-)sectors of Apparel and Textiles, Other Light Manufacture; Tourism; Mining, Chemicals and Ceramics. These Councils will provide an effective organizational basis for cooperative efforts between government and private sector representatives by focusing on sector-specific issues.

3. MACROECONOMIC STABILISATION

3.1 The main focus and priority of the overall policy-thrust in the first year was the commitment to achieve macroeconomic stability, specified in terms of a decline in inflation, reduced interest rates, and a stable exchange rate. *This objective has been substantially achieved in the course of this past year.*

3.2 This achievement itself has crucial significance, because *it lays the groundwork necessary for moving the economy forward in the transition to the new phase of growth with stability as called for in the NIP.* Some of the necessary elements now in place for making this transition are the following.

3.3 With the inflation rate trending down, nominal interest rates declining, and the exchange rate relatively stable, the stage is now set for undercutting the inflationary expectations that have plagued the economy for years. This turnaround should weaken pressures for wage and price increases in the coming year and put the economy on a firmer footing of *policy credibility and predictability.*

3.4 As a result of the decline in inflation and in the interest rate on government bonds, lending rates of financial institutions have been induced to follow suit, though with a lag and observed stickiness in some cases. Continued *reduction in the cost of capital* should help to steer investor expectations towards longer-term investment in the productive sectors and thereby provide a stimulus for a return to growth. At previously existing levels, the cost of capital had been commonly identified as a major factor inhibiting such investment.

3.5 Furthermore, the decline in interest rates on government debt instruments is expected to yield benefits in terms of *reducing the burden of debt service payments in the national budget* and, thereby, allowing a shift in budget allocations towards the critical areas of physical and social infrastructure and human resource development.

3.6 Generally, as these effects of macroeconomic adjustment continue to take hold, the expected payoff in terms of investment in the productive sectors and growth of income and employment will be increasingly realised. The *unemployment rate*, which has now settled around the 16 percent level, is still too high and must be brought down.

3.7 *Overall external trade performance* has been characterised by chronic deficits in merchandise trade and in the current account. However, as a percent of GDP, the trade deficit actually declined this past year, while the balance of goods and services and the current account balance held steady (see Appendix A). These favourable outcomes were due to strong growth in net earnings from services and a sharp reduction in growth of imports. An aggressive export expansion programme planned for the next phase of policy implementation will address the

essential requirements for reducing the deficit on the revenue side of the accounts. On the import side, attention will be given to measures designed to reduce the cost of imported inputs, especially in the area of energy use.

3.8 Detailed assessment of export performance at the sectoral level points to strong growth in the service sector as well as a number of traditional export products. Non-traditional exports, however, recorded a decline in both value and share of overall exports, due largely to a significant contraction in apparel exports. This decline, coming after five years of steady expansion, stands as a challenge to the NIP's objective of export diversification. Continued macroeconomic stability and targeted government support will contribute to returning the non-traditional sector to its dynamic growth path.

4. STIMULATING INVESTMENT AND GROWTH

4.1 The economic adjustments taking place this past year are a necessary condition of the transition process to a new phase of growth with stability, given the past history of Jamaica's economic performance. Some features of this process have been favourable to investment and growth, for the reasons indicated above, but other factors have tended to play an inhibiting role, resulting in a shortfall in actual growth below projected targets indicated in the NIP. This *uneven effect* is consistent with observed economic performance in other developing countries undergoing a similar process. Government has sought to address directly the inhibiting factors.

4.2 The *private-sector financial institutions* have experienced difficulties during the year, owing to the adjustment from a high-inflation, high-interest rate regime to the new phase of low inflation and low interest rates and to internal problems of management and operational efficiency within the sector. Sections of the sector have been undergoing stress, while others have successfully withstood the pressures. A well-structured programme of rehabilitation, operated by the newly formed Financial Institutions Structural Adjustment Company (FINSAC) set up by Government to deal with problems of the sector, has been instituted to deal with cases of weakness. This should enable the sector as a whole to move forward. In addition, new measures for reform, monitoring, and supervision are being developed that will strengthen the sector and maintain its viability as a vital element in the economy.

4.3 *The public-sector financial institutions have been assigned a new role to act as catalyst to get production going*, for instance by providing equity funding through the National Investment Bank of Jamaica (NIBJ). To support this thrust, Government has developed various methods and techniques for:

- (a) increasing the supply of funds available through public-sector lending institutions;
- (b) improving conditions of access for small and medium-size firms with viable projects that generate employment and export earnings.

4.4 *Many firms still suffer from the handicap of a heavy debt overhang*, due to the previously prevailing high interest rate and a tendency of firms to prefer debt financing. It will take time to work off this overhang as interest rates decline and internal restructuring of assets and liabilities occurs within such firms. Here again, Government's financial policy has played a facilitating role by channeling funds through loan guarantees and public-sector lending institutions to allow refinancing and restructuring of viable enterprises.

4.5 In the drive to stimulate investment and growth, these efforts on the financial side have been complemented by *other government-sponsored efforts* in the areas of fiscal incentives, support services for marketing and production, investment packaging, remedying bottleneck factors through investment facilitation, and pursuit of an aggressive trade policy.

4.6 A quantitative assessment of the outcome of these efforts in terms of actual investments is provided in Appendix B by *an analysis of investment projects in the pipeline* that pass through the public-sector financial institutions (NDB, NIBJ) and JAMPRO. It is evident that there has been a large volume of projects, widely distributed over different economic sectors, passing through this pipeline to reach the actual start-up phase in some cases.

4.7 Other investments taking place elsewhere in the economy, not documented in this analysis, have also benefitted from these efforts.

5. SECTORAL AND MICRO-LEVEL INITIATIVES

5.1 In the National Industrial Policy, *Government has pledged to support the private sector in its efforts to build competitive advantage in the global marketplace* and, in this way, to serve as a catalyst for modernisation of the Jamaican economy and diversification of the production base. The Policy calls for an integrated approach that takes into account the specific needs and potentials (strengths and weaknesses) of individual sectors of production, the linkages and interdependencies among sectors, and opportunities for emergence of new dynamic sectors. The aim is to build on existing strengths while creating conditions for new opportunities to emerge.

5.2 *The successful application of this strategy requires Jamaican firms to be innovative in all phases of their operation and to create a niche for themselves by exploiting the specific advantages that give them an edge in the international marketplace*. Firms must build and sustain their ability to compete across many different product dimensions, including price, quality, design, packaging, delivery time, range and variety of products. This requires focusing on critical elements of the production process along the continuum: R&D/design - production - distribution - marketing, and on the organization and management of these elements to ensure success.

5.3 ***Government's support*** is geared towards providing various forms of assistance and support services at different points in this process in order to enhance competitiveness of firms by addressing directly constraints that raise their costs and risks and place them at a competitive disadvantage in relation to their counterparts in other countries.

5.4 Guided by this strategy, various activities have been carried out during the year at the sectoral and micro-level and new initiatives and targets proposed for continued action in furtherance of the goals of the NIP. These ***initiatives, targets, and achievements***, at the level of specific sectors and product lines, are reviewed in detail in Appendix C. They are grouped according to ***seven objectives that serve to operationalise the broad goals of the NIP***, thereby making it possible to identify strengths and weaknesses in the policy-implementation process.

5.5 The detailed data presented in Appendix C reveal ***a significant record of achievement in policy implementation on all counts***. Especially notable are achievements in the areas of market penetration and export diversification and in organizational strengthening through building strategic alliances and networks among firms and agencies. Strong efforts are also being made to develop a sharper focus on product design and quality issues and on the exploitation of synergies between sectors in the specific cases of Textiles and Sewn Products, Tourism, and Music & Entertainment.

5.6 ***Areas of weakness*** exist, specifically as regards efforts to improve productivity. This is an area that must now be given renewed emphasis and closer attention in the ongoing process of implementation of the Policy.

5.7 To be sure, there were ***significant cases of factory closures in the manufacturing sector and weakness in performance of some farm crops***. These represent, in many cases, a process of adjustment to the far-reaching competitive changes taking place on a global level as well as pressures arising from domestic constraints. Assistance is being provided to affected firms in targeted sectors, such as Apparel & Sewn Products and the Dairy Industry, to allow viable enterprises to make adjustments through restructuring operations and upgrading productive efficiency as well as to provide safeguards against unfair competition.

5.8 ***Key features of the government's support programme for dealing with the adjustment process taking place in both manufacturing and agriculture*** include:

- (a) strengthening and effective enforcement of anti-dumping legislation;
- (b) improved monitoring and testing, through the Bureau of Standards and Customs Department, to ensure that imported goods meet the appropriate health, safety, and phytosanitary standards;

- (c) provision of technical support, R&D, agricultural extension services, pest and disease control, marketing support, and financial assistance at affordable interest rates;
- (d) training schemes for adapting the labor force to sector-specific skill requirements;
- (e) remedying infrastructural deficiencies by investment in targeted areas of physical and social infrastructure.

5.9 At the same time, there were *significant expansion programmes taking place in a wide range of economic activities*, representing a positive response to existing opportunities and opening up of new opportunities, and resulting from private-sector initiatives buttressed by government support. Examples include cigar manufacture, edible oils and fats, hotel facilities and attractions, shipping and berthing facilities (Gordon Cay), non-metallic minerals, fresh produce, processed foods, and marine products. Considerable dynamism existed in the areas of entertainment, music, and cultural products, where growing opportunities are being created for increased employment and income that are widely distributed among different income groups.

5.10 New opportunities are also emerging in the area of *offshore financial services*. In part as a result of the contraction in the local financial sector, Jamaica offers a pool of well trained professionals as well as physical and telecommunications infrastructure to be readily deployed in developing a niche as an attractive offshore financial services center. Initiatives in support of this thrust include developing the enabling legislation to encourage offshore industries.

5.11 In *the bauxite/alumina sector* a far-reaching process of restructuring has been taking place on a global level, driven by an extremely high level of competition in international markets. The local sector is constrained by the age and size of existing plants as well as the level of technology. The companies are pursuing a sustained drive for cost efficiency and improved productivity along with plans for expansion of capacity. These efforts showed up in a 8.9% increase in bauxite production and a 5.6% increase in alumina production in 1996, above the corresponding levels for 1995. Despite the increased production, the level of earnings from the sector fell by 1.5% due to adverse market conditions. To maintain its competitive position in the marketplace, it is important for the local sector to continue its cost-efficiency drive and to sustain the relatively stable labour-relations climate which existed in 1996.

5.12 The *shipping & berthing sector* continues to benefit from the Port of Kingston consolidating and expanding its position as a strategic regional transshipment hub for containerised cargo within a highly competitive environment. Under Phase One of the Gordon Cay Expansion Programme, an additional 2,000 feet of berthing space was commissioned into service in July 1996, effectively doubling the Port's transshipment capacity. The expansion programme also involves the construction of additional container storage space, the acquisition of state-of-the-art equipment, and the provision of other infrastructure support. It is complemented by the

installation of a comprehensive computer-based container terminal management system. These investments lay the foundation for continued growth in the sector's transshipment activity which, in 1996, was reflected in a 5.6% increase in the number of ship calls at the transshipment port and a 23.4% rise in the number of container moves.

6. THE INCENTIVE REGIME

6.1 Government recognises that *fiscal incentives*, although being no panacea for industrial competitiveness and growth, play an important economic role. They serve as an offset to distortions arising from prevailing disincentive factors and, thereby, to equalise advantages of the incentive regime faced by Jamaica-based firms with those enjoyed by competitors in other countries. In addition, they may be deployed in support of activities that are deemed to have priority preference for strategic reasons.

6.2 Currently, *Jamaica has a complex and unwieldy system of many different incentive schemes* inherited from past policies and programmes. In the National Industrial Policy, Government has pledged to re-examine and restructure this system so as to make it consistent with both the guiding principles of the NIP as well as the international rules and regulations that Jamaica is subject to as signatory to the WTO and CARICOM agreements. The central thrust of the policy approach is to re-orient fiscal incentives to make them

- * more transparent, simple, and automatic;
- * based on quantifiable and easily monitored performance standards;
- * more flexible so as to enable a broader cross-section of firms to benefit from their provisions;
- * oriented equally to services, agriculture, and manufacturing activity.

6.3 Guided by these principles, Government has undertaken in the past year *various initiatives to establish a more flexible programme of incentives*:

- (a) The Export Industry Encouragement Act (EIEA) has been amended to grant tax relief to firms exporting a minimum of five percent of their output. This measure supports local firms in their efforts to use their presence in the domestic market as a platform for expansion into the international domain.
- (b) The Jamaica Export Free Zones Act has been amended to allow for private designated free zones outside of the existing free zone area.

- (c) A first draft of legislation expanding the EIEA beyond manufacturing activity to include the service sector has been prepared. The legislation is expected to be tabled in Parliament by the end of the third quarter of 1997.
- (d) Legislation is currently being drafted to amend the Motion Picture Encouragement Act. The objective is to extend beneficiary status to providers of motion picture facilities and to music providers (e.g. recording studios, CD manufacturers). Pending the passage of legislation, duty-free status is conferred on imports of items and equipment required by recording studios and CD manufacturers.

6.4 Additional initiatives include the proposed Amendment of the Factory Construction Act to decentralize factory building and encourage owner-built and occupied factories, and the preparation of draft orders to allow duty-free treatment of items used for R&D purposes and for projects promoting environmental concerns.

6.5 In the next phase of NIP implementation, efforts are to be made to undertake a *systematic overhaul of the entire incentive regime, consistent with the general thrust of the Policy and evolving international rules*. These efforts will be coordinated with the ongoing assessment of the existing structure of taxation, with a view to adapting the whole system to meet the requirements of the NIP for promoting saving, investment, productivity, and international competitiveness.

7. INFRASTRUCTURE INVESTMENT AND HUMAN RESOURCE DEVELOPMENT

7.1 A key component of the National Industrial Policy is the strong emphasis placed on these *twin planks of the government's development thrust*. They are considered basic to the overall strategy of economic and social development and essential requirements for facilitating investment and growth.

7.2 The Government's programme in these areas has operated within the *tight constraint* of a fiscal budget with sizeable demands for debt service and recurrent expenses that, consequently, leaves limited resources available for capital expenditures. Strong efforts are being made to relieve this constraint through debt management and achieving cost-efficiencies in public sector operations. Furthermore, Government has sought to mobilise additional resources from the local private sector and external sources and to introduce cost recovery mechanisms wherever feasible and desirable.

7.3 The *private sector* itself can play an important role here too in directly meeting investment requirements and is being encouraged to pursue its own initiatives in line with Government's policy thrust.

7A. INFRASTRUCTURE INVESTMENT

7A.1 Major projects were undertaken or slated to begin during the year in targeted areas of physical infrastructure, including the following:

Water Supply, Irrigation, and Sewerage

- * Water Supply Projects in the Lucea/Negril area and in Montego Bay;
- * Sewerage System Improvement Projects in Montego Bay and Ocho Rios;
- * Rural Water Supply Programme;
- * Urban Water Supply Programme;
- * Construction of Irrigation Infrastructure (canals, deep wells, Yallahs project, Colbeck project).

Transportation

- * Expansion of public passenger bus fleet (including school bus system), provision of depots, training of transport workers;
- * Activation of a comprehensive traffic plan (computerized traffic monitoring system with signals and sensors, one-way systems in major urban thoroughfares, widening of selected roadways).

Roads

- * Northern Jamaica Development Project;
- * Road rehabilitation improvement and maintenance programme (arterial, secondary, and tertiary roads, drainage and flood control, bridge development).

Seaports and Airport Facilities

- * Completion of expansion phase of Gordon Cay facility;
- * Airport Reform and Improvement Programme.

Communications

- * Expansion of telecommunication stations and exchanges, introduction of new services, by TOJ.

Energy/Electricity

- * Rural Electrification Programme;
- * Privatisation of Petrojam;
- * Continued operation of JPSCo Demand Side Management Project;
- * Implementation of cogeneration programme;

- * Development of alternative energy sources (hydropower, bagasse, solar, photovoltaics, wind);
- * Development of Energy Plan based on Energy Sector Policy;
- * Establishment of Office of Utilities Regulation.

Industrial Parks/Free Zones

- * Montego Bay Free Zone expansion project;
- * Montego Bay Free Zone/Freeport housing project;
- * Portmore Informatics Centre;
- * Tarentum Industrial Park.

7B. HUMAN RESOURCE DEVELOPMENT

7B.1 The government's programme in human resource development continued to concentrate resources on improvement and expansion in the targeted areas of early childhood, primary and secondary education. The programme focused on *the critical areas* of curriculum development, distribution and rental of textbooks, in-service training for teachers, conditions of pay for teachers, construction, renovation, and maintenance of buildings and equipment.

7B.2 Four major capital-expenditure projects are underway, with funding from GOJ and multilateral/bilateral sources:

- * Social Sector Development Project;
- * Improvement and Expansion of Primary Education;
- * Secondary School Textbook Project;
- * Reform of Secondary Education.

7B.3 Mechanisms and measures for closer articulation between all tertiary institutions and the technical and vocational training system are being introduced so as to rationalise and improve the quality and efficiency of tertiary education with respect to both teaching and learning.

7B.4 The HEART Trust/NTA system continued to play a key role in the provision of training to equip adults for entry into the world of work and to keep abreast of changing technology. Measures were adopted to upgrade training programmes, to be more relevant to specific needs of industry, to provide graduates with appropriate skills, knowledge, and work attitudes, and to broaden the base of options for further training.

7C. SCIENCE AND TECHNOLOGY

7C.1 The Government's programme in Science and Technology (S&T) seeks to promote the systematic application of science and technical knowledge to meet the diverse and changing needs in different areas of the economy arising from the ongoing drive to increase production, productivity, value-added, quality and diversity of products. This entails a wide range of activities in research and development, design, testing, quality control, information dissemination, education and training.

7C.2 The various *institutions and agencies engaged in such activities*, most of them in the public sector, are being encouraged, by the provision of resources and appropriate incentives, to focus their efforts in this direction, to develop closer collaboration among institutions and integration of activities and projects, and to pursue opportunities for commercial adoption through linkage with firms and investors.

7C.3 New initiatives are also beginning to emerge from *the private sector*, for instance, the formation in 1996 of a new firm to provide "technological solutions" by offering laboratory and product development services.

7C.4 *Projects* being pursued by the different agencies cover a wide range. There is a concentration in the field of agricultural and agro-industrial research, focusing on four main areas: food technology, crop research and development, livestock research and development, and plant protection. This work is fully consistent with the goal of the NIP to increase production, improve productivity, and expand value-added in domestic food crops and in both traditional and non-traditional export products.

7C.5 Other areas covered include: marine biology and ecology, alternative sources of energy, waste management, environmental research, medical research, and information technology.

7C.6 *Information technology* is targeted as a sector for development and support by the NIP. The main points of focus this past year were: closer coordination and organization of activities within the sector, provision of incentives for production and use of IT, development and application of software for training and education, and increasing distribution and use of hardware throughout the educational system. The computer-services facility that serves the Port of Kingston is emerging as a leading center of innovative activity in the sector, providing spillovers to the rest of the economy through training and diffusion of technology and skills. Linkages with other sectors (tourism, finance, government administration) are also helping to drive development in the sector.

8. STRENGTHENING THE INSTITUTIONAL FRAMEWORK

8.1 *A complex structure of institutions underpins the working of the Jamaican economy as a market-economy.* These institutions make it possible for economic decision-making and action to occur smoothly, effectively, and efficiently and, thereby, facilitate the process of growth and development of the economy. The National Industrial Policy seeks to strengthen these institutions through appropriate legislative action, through the monitoring and supervisory role of state agencies, and through active consultation and joint action between Government and interested parties. This *process of institutional reform* is considered to be an essential feature of the process of modernising the Jamaican economy and enhancing its capacity to respond to the global challenges it faces on the road ahead.

8.2 Some elements of the institutional structure that are crucial in this respect are: (a) the competitive rules governing market structure and behaviour of firms, (b) the capital-market institutions (banking, insurance, credit, and stock market), (c) the labour market, and (d) the administrative apparatus of the public sector. They have been the focus of continuing attention and action during the past year.

8.3 Specific matters addressed include:

- * Review of the *Fair Competition Act* to allow the Fair Trading Commission to better carry out its mandate to provide for the maintenance and encouragement of competition in the conduct of trade, business, and the supply of services, including professional services.

- * Preparation of new draft legislation to revise the existing *Companies Act* of 1965, now regarded as obsolete, so as to accommodate the company law to a rapidly changing business environment and achieve some measure of harmonisation with practices in the Caribbean Community.

- * Establishment of the *Office of Utilities Regulation*.

- * Strengthening of the *Jamaica Bureau of Standards* in its measurement and quality assessment systems through provision of equipment, training of local engineers and scientists both in-house and in Germany, setting up of five new metrology laboratories and substantial upgrading of three others.

- * Further deepening of the *reform process in the financial sector*, in the context of the long-term trend of broader economic reform through liberalisation and deregulation begun in the 1980s, by instituting specific legislative and prudential reform measures, eliminating differences in

regulation and supervision within the sector, amending the Building Society Act, steps to introduce a Deposit Insurance Scheme, formation of FINSAC to coordinate and manage the restructuring process in the sector.

* Adoption of the report of the ***Labour Market Reform Committee***, and steps taken to implement some of its recommendations for specific reform measures.

* Acceleration of the ***public sector modernisation project*** to improve productivity, efficiency and management capability of public-sector institutions, through training of senior and middle managers, computerisation of operations and information systems, updating records, rationalisation of staff functions, and creation of executive agencies.

9. PRIORITIES FOR THE NEXT PHASE OF POLICY IMPLEMENTATION

9.1 The next phase of policy implementation will focus on the two essential and combined tasks of (a) ***consolidating the gains made to date***, and (b) building on those gains to ***achieve the central objective in this new phase: growth with stability***.

9.2 The ***key elements of the implementation strategy*** during this next phase, as specified in the National Industrial Policy, are the following:

- * ***Strengthen and reinforce measures to provide the appropriate environment of stability and predictability to facilitate long-term investment.***
- * ***Design measures to shift the balance of investment decisions from short-term financial instruments to long-term investment in the productive sectors.***
- * ***Pursue an aggressive export-expansion programme based on proven strengths in dynamic sectors of the economy that are ripe for expansion.***
- * ***Orient government budgetary allocations to investment in human resources and infrastructure, the incentive system, and a broad-based support framework, so as to remedy bottlenecks and constraints facing producers in the targeted sectors.***

9.3 Having created *the conditions for macroeconomic stability*, the aim is to preserve those conditions by rigorous pursuit of the appropriate monetary and fiscal policies, using the full range of instruments and tools available and successfully deployed this past year. At the same time, it will be necessary to *move the policy-mix towards greater emphasis on measures to promote investment in the productive sectors and growth of exports*.

9.4 Measures to reduce cash-reserve requirements accompanied by the continued downward trend in interest rates and the shift in government debt-instruments towards the long end will create *the required financial conditions to stimulate long-term investment*. In addition, the public-sector financial institutions are being geared up to act as catalyst in the investment process through increasing the supply of development-oriented long-term credit and improving access for credit-worthy projects. The restructuring process taking place within the financial sector will serve to strengthen confidence in the financial system and maintain the incentive for saving and investment.

9.5 The *export-expansion programme* will focus on the targeted growth-poles in the five strategic clusters identified by the National Industrial Policy. Government support-measures generally available to all sectors will be concentrated on providing support to viable projects that are capable of yielding early and significant gains in export earnings, in both traditional and non-traditional areas of exports. The Industry Advisory Councils that are now being organised will be mobilised to help coordinate and drive this effort.

9.6 Continued efforts will be made to strengthen and deepen the requirements for an export push in pursuit of *the declared long-term strategy of export-led development*. In this respect, the chief matters of major concern to be dealt with are:

- (a) *review of trade policy and strategic repositioning of Jamaica's international relations* (CARICOM, NAFTA, ACS, FTAA, EU/Lome) to accommodate to current global trends in trade, investment, and foreign assistance;
- (b) *review and restructuring of the complex and unwieldy system of incentives* that currently exists so as to provide a more uniform, transparent, and performance-oriented system that is consistent with international rules and regulations under the WTO agreements and with preserving Jamaica's competitive position in relation to other countries;
- (c) *a drive for increased productivity and product innovation*, focused on sector-specific and firm-level requirements identified in the NIP, so as to improve the capability of firms to deliver quality products at a competitive price in both domestic and export markets.

9.7 Maintaining *the infrastructural investment programme* in physical and social infrastructure will be of fundamental importance to all of these efforts. *The highest priority will be given to education and training of the labour force, concentrating on early education as the base of the process*, in a push to prepare our adults and the new generation to cope with rapid changes taking place in the economy and society.

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APPENDIX A

ANALYSIS OF EXTERNAL TRADE PERFORMANCE

A1. The strategic focus of the National Industrial Policy is on export push coupled with exploiting possibilities for efficient import substitution. The objective is to pursue a diversified portfolio of different growth opportunities by expanding existing activities with a demonstrated capacity for continued growth while promoting new activities in targeted niche areas.

A2. The accompanying tables give an indication of the extent to which the Jamaican economy is on track to meet these objectives as judged by the value, composition and growth rate of exports and imports for the period 1990 to 1996. A detailed account of the performance of individual traditional and non-traditional exports is also provided.

A3. Analysis of the data reveals the following:

(a) The *out-turn on the Balance of Payments* accounts indicates a further widening of the merchandise trade deficit in absolute terms in 1996 to US\$1,529.6 million, but a decline relative to GDP (see Table 1). The improvement in the service account served to partially offset this trade deficit and contributed to the balance on goods & services remaining relatively steady at a deficit of US\$783 million (16.8% of GDP). The current account deficit also remained steady as a percent of GDP. Details on movements in Jamaica's export and import performance underlying these trends are provided in Tables 2 through 5.

(b) Regarding the *composition of exports*, *Services* continue to account for the majority of gross export earnings with 57.1% of the total in 1996, up from 50.5% in 1990 (see Table 2). While *Tourism* prevails as the primary service export (34.7% of total exports), the share of *Other Services* has been rising steadily to 22.4% in 1996. Among *Merchandise Exports*, *Traditionals* predominate with a 28.2% share of total exports. *Non-traditionals* accounted for 13.5%, down from 15.3% in the previous year.

(c) Total *export growth* of 2.5% in 1996 was driven by the *Service* sector which expanded at a rate of 7.6%, with particularly strong growth exhibited by the non-tourism category (12.3%) (see Table 2). In contrast, *Merchandise* exports declined, on average, by 3.5% due to a significant contraction in *Non-traditional* exports (-9.7%). This decline in both the value and share of *Non-traditionals* is the first after five years of steady growth.

(d) At the **product line level**, *traditional* merchandise exports recorded a mixed performance (see Tables 3 and 4). The strong growth in *Bauxite, Gypsum, Sugar, Citrus, Coffee & Coffee Products*, and *Rum* was almost entirely offset by a decrease in earnings from the other traditional exports (*Alumina, Bananas, Citrus Products, Cocoa, and Pimento*). Earnings from *Non-traditional* exports decreased across the board, with some significant exceptions (*Other Food Exports, Tobacco/Beverages, and Chemicals*). *Apparel* exports, which account for 57.4% of the non-traditional category, experienced a 13.2% contraction.

(e) **Growth in total imports** slowed to 2.2% in 1996, down from an average growth rate of 22.6% in the previous year (see Table 5). *Merchandise Imports* expanded at a rate of 3.0%, driven by an increase in *Consumer Goods* (5.3%) and *Capital Goods* (11.1%). *Raw Material* imports recorded a slight decline (-0.4%). On the *Service Account*, imports remained steady as increases in *Travel* (8.3%) and *Other Services* (7.7%) were offset by a 14.1% decline in *Investment Income* outflows.

(f) In terms of the **composition of imports**, the share of *Consumer Goods* imports continued to increase to 18.3%, up from 12.0% in 1990 (see Table 5). The shares of *Capital Goods* and *Other Services* also rose above their 1995 levels to 13.6% and 15.5% respectively. The proportion of Total Imports accounted for by outflows of *Investment Income* continued its downward trend, falling to 8.3% (18.1% in 1990). The same holds true for *Raw Material Imports*, which in 1996 accounted for 40.8%, down from a high of 45.2% in 1992.

Table 1
Jamaica Balance of Payments, 1990-96

US\$ millions	1990	1991	1992	1993	1994	1995	1996
Merchandise Trade Balance (% of GDP)	-784.9 (18.5)	-677.9 (19.5)	-721.8 (22.7)	-1113.8 (29.3)	-1014.0 (26.2)	-1395.0 (30.0)	-1529.6 (28.0)
Goods & Services Balance (% of GDP)	-599.4 (14.1)	-508.6 (14.7)	-328.9 (10.3)	-571.1 (15.0)	-461.5 (11.9)	-778.0 (16.7)	-783.0 (16.8)
Current Account Balance (% of GDP)	-328.0 (7.7)	-252.2 (7.3)	+10.9 (0.3)	-194.2 (5.1)	+13.8 (0.4)	-214.7 (4.6)	-240.7 (4.4)

Source: Bank of Jamaica, Balance of Payments Department; Planning Institute of Jamaica: *Economic and Social Survey Jamaica*.

Table 2
Exports of Jamaica, 1990-96: Value, Composition, and Growth Rate

Exports	1990	1991	1992	1993	1994	1995	1996
Value (US\$ millions)							
Merchandise Exports	1157.5	1150.7	1053.6	1075.4	1219.6	1436.8	1386.8
Traditional	899.9	830.1	735.9	713.2	777.1	905.0	911.0
Non-Traditional	222.8	226.5	295.9	345.1	405.8	483.2	436.1
Re-exports	34.8	94.1	21.8	17.1	36.7	48.6	39.7
Services	1179.3	1107.0	1250.3	1447.4	1523.1	1712.5	1842.7
Tourism	740.0	764.0	858.1	942.6	970.4	1068.8	1119.6
Other Services	439.3	343.0	392.2	504.8	552.7	643.7	723.1
Total Exports	2336.8	2257.7	2303.9	2522.8	2742.7	3149.3	3229.5
Percentage							
Merchandise Exports	49.5	51.0	45.7	42.6	44.5	45.6	42.9
Traditional	38.5	36.8	31.9	28.3	28.3	28.7	28.2
Non-Traditional	9.5	10.0	12.8	13.7	14.8	15.3	13.5
Re-exports	1.5	4.2	0.9	0.7	1.3	1.5	1.2
Services	50.5	49.0	54.3	57.4	55.5	54.4	57.1
Tourism	31.7	33.8	37.2	37.4	35.4	33.9	34.7
Other Services	18.8	15.2	17.0	20.0	20.1	20.4	22.4
Total Exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Exports/GDP	52.0	55.2	65.7	55.1	58.4	na	na
Growth Rate							
Merchandise Exports	15.7	-0.6	-8.4	2.1	13.4	17.8	-3.5
Traditional	25.2	-7.8	-11.3	-3.1	-9.0	16.5	0.7
Non-Traditional	-9.7	1.7	30.6	16.6	17.6	19.1	-9.7
Re-exports	-1.1	170.4	-76.8	-21.6	114.6	32.4	-18.3
Services	0.5	-6.1	12.9	15.8	5.2	12.4	7.6
Tourism	24.8	3.2	12.3	9.8	2.9	10.1	4.8
Other Services	-24.2	-21.9	14.3	28.7	9.5	16.5	12.3
Total Exports	7.5	-3.4	2.0	9.5	8.7	14.8	2.5

Source: Bank of Jamaica, Balance of Payments Department; Statin: *National Income and Product*.

Table 3
Value of Selected Traditional & Non-traditional Exports, 1990-96

Exports	1990	1991	1992	1993	1994	1995	1996	1996
Value (US\$ millions)								%*
<i>Traditionals</i>	<i>899.90</i>	<i>830.10</i>	<i>735.90</i>	<i>713.20</i>	<i>777.10</i>	<i>905.00</i>	<i>911.00</i>	<i>65.69</i>
Bauxite	102.97	112.91	88.76	84.21	73.50	70.94	78.35	5.65
Alumina	625.30	542.96	471.07	439.78	537.22	632.05	607.01	43.77
Gypsum	0.43	0.55	0.70	1.09	0.97	1.07	1.32	0.19
Sugar	85.77	87.45	82.54	97.50	68.63	96.00	109.23	7.88
Bananas	37.59	45.11	39.56	35.64	46.15	45.70	45.21	3.26
Citrus	4.67	3.31	4.65	3.50	2.80	3.89	4.95	0.36
Citrus products	4.28	1.15	3.47	2.23	0.68	2.06	0.22	0.02
Coffee	8.65	11.82	16.20	19.07	16.19	26.26	31.49	2.27
Coffee products	0.86	0.40	0.48	0.66	0.68	0.62	0.78	0.06
Cocoa	3.35	2.23	2.51	1.56	3.15	2.75	1.90	0.14
Cocoa products	3.00	3.28	3.43	2.60	2.53	2.47	na	(0.17)
Pimento	5.66	3.55	4.48	3.83	3.72	4.26	3.55	0.26
Rum	85.77	15.44	17.96	21.59	20.84	22.21	25.38	1.83
<i>Non-traditionals</i>	<i>222.80</i>	<i>226.50</i>	<i>295.90</i>	<i>345.10</i>	<i>405.80</i>	<i>483.20</i>	<i>436.10</i>	<i>31.45</i>
Apparel	83.01	89.38	152.52	199.92	250.21	288.03	250.12	18.04
Furniture	na	3.23	3.32	3.57	4.52	3.42	3.30	0.24
Manufactured Gds	16.97	16.86	16.31	13.58	17.85	15.19	13.40	0.97
Machine/Transport	4.25	3.75	3.56	2.51	2.35	3.41	3.63	0.26
Pumpkins	0.60	0.71	0.77	0.64	0.86	1.12	1.04	0.07
Cucumber	0.10	0.08	0.13	0.14	0.19	0.11	0.07	0.01
Other vegetables	0.42	0.02	0.31	0.34	0.28	0.26	na	(0.02)
Sweet potatoes	0.68	0.62	0.74	0.95	1.08	1.34	1.39	0.10
Yams	8.02	8.64	8.11	9.44	10.69	12.17	10.84	0.78
Avocadoes	0.05	0.05	0.11	0.14	0.19	0.18	0.15	0.01
.../continued								

Table 3 (contd)
Value of Selected Traditional & Non-traditional Exports, 1990-96

Exports	1990	1991	1992	1993	1994	1995	1996	1996
Value (US\$ millions)								%*
Mangoes	0.58	1.21	0.96	0.50	0.68	1.12	0.93	0.07
Dasheens	1.88	0.87	0.98	1.12	1.26	1.49	1.21	0.09
Papayas	na	1.06	2.11	3.45	4.74	6.69	6.53	0.47
Other food exports	25.23	32.89	38.59	43.32	44.76	52.68	76.03	5.48
Tobacco/Beverages	19.61	17.44	17.16	19.05	19.95	21.02	22.19	1.60
Cut flowers	2.29	1.99	1.75	1.29	0.87	1.06	0.86	0.06
Foliage/Live Plants	0.19	0.69	0.80	0.58	2.10	0.95	0.78	0.06
Crude Materials	7.78	5.67	6.18	6.87	7.78	7.62	5.77	0.42
Mineral Fuels etc	16.52	11.55	10.09	6.54	6.02	8.36	5.81	0.42
Oils & Fats	0.03	0.26	0.04	1.48	1.54	0.88	0.02	0.00
Chemicals	24.21	22.65	25.43	24.15	23.52	44.90	48.32	3.48

Source: Statin: *External Trade*, Part One; Planning Institute of Jamaica, *Economic and Social Survey Jamaica*.

Note: * percent of total merchandise exports; figures in parentheses are based on 1995 data.

Table 4
Growth Rates of Selected Traditional & Non-traditional Exports, 1990-96
(in percent)

Exports	1990	1991	1992	1993	1994	1995	1996
Traditionals	25.2	-7.8	-11.3	-3.1	-9.0	16.5	0.7
Bauxite	-7.3	9.7	-21.4	-5.1	-12.7	-3.5	10.5
Alumina	31.7	-13.2	-13.2	-6.6	22.2	17.7	-4.0
Gypsum	54.5	29.6	27.8	55.3	-11.1	10.5	22.5
Sugar	26.6	2.0	-5.6	18.1	-29.6	39.9	13.8
Bananas	95.2	20.0	-12.3	-9.9	29.5	-1.0	-1.1
Citrus	87.3	-29.3	40.8	-24.8	-20.0	38.9	27.2
Citrus Products	163.6	-73.2	201.7	-35.6	-69.6	203.0	-89.4
Coffee	-8.7	36.6	37.1	17.7	-15.1	62.3	19.9
Coffee products	25.3	-53.1	19.3	37.3	2.0	-8.3	25.4
Cocoa	1966.7	-33.3	12.2	-37.7	101.5	-12.7	-30.9
Cocoa products	-30.7	9.3	4.7	-24.2	-2.9	-2.1	na
Pimento	23.3	-37.4	26.4	-14.5	-2.8	14.3	-16.6
Rum	26.6	-82.0	16.3	20.2	-3.5	6.6	14.3
Non-traditionals	-9.7	1.7	30.6	16.6	17.6	19.1	-9.7
Apparel	-25.3	7.7	70.6	31.1	25.2	15.1	-13.2
Furniture	na	na	2.7	7.6	26.5	-24.2	-3.6
Manufactured Goods	-8.0	-0.6	-3.3	-16.7	31.4	-14.9	-11.8
Machine/Transport	-1.0	-11.8	-5.1	-29.5	-6.5	45.6	6.3
Pumpkins	-1.3	19.0	8.1	-17.2	34.9	30.1	-7.4
Cucumber	33.3	-20.8	67.1	7.9	37.2	-43.1	-35.5
Other vegetables	-20.3	-47.0	40.8	8.6	-18.2	-8.2	na
Sweet potatoes	-9.0	-8.1	19.1	28.6	12.9	24.1	3.8
Yams	-9.2	7.7	-6.1	16.3	13.3	13.8	-10.9
Avocadoes	228.6	6.5	118.4	26.2	37.8	-3.2	-19.4
.../continued							

Table 4 (contd)
Growth Rates of Selected Traditional & Non-traditional Exports, 1990-96
(in percent)

Exports	1990	1991	1992	1993	1994	1995	1996
Mangoes	52.4	107.9	-20.9	-48.0	35.5	65.9	-17.2
Dasheens	16.5	-53.6	12.0	14.9	11.7	18.8	-18.7
Papayas	na	na	98.8	63.3	37.3	41.2	-2.3
Other food exports	26.8	30.4	17.3	12.2	3.3	17.7	44.3
Beverages/Tobacco	1.4	-11.1	-1.0	11.0	4.7	5.3	5.6
Cut flowers	20.7	-13.0	-12.3	-26.0	-42.1	21.5	-19.3
Foliage & live plants	-67.5	268.1	15.9	-27.4	260.0	-54.9	-17.2
Crude Materials	-30.1	-27.1	9.0	11.2	13.3	-2.1	-24.4
Mineral Fuels	1.4	-30.1	-12.7	-35.2	-8.0	38.9	-30.4
Oils & Fats	24.0	732.3	-84.9	3702.6	3.7	-42.7	-97.5
Chemicals	2.0	-6.5	12.3	-5.0	-2.6	90.9	7.6

Source: Calculated from data in Table 3.

Table 5
Imports of Jamaica, 1990-96: Value, Composition, and Growth Rate

Imports	1990	1991	1992	1993	1994	1995	1996
Value (US\$ millions)							
Merchandise Imports	1942.4	1828.6	1775.4	2189.2	2233.2	2831.8	2916.4
Consumer Goods	353.1	251.9	293.3	476.9	462.7	697.6	734.4
Raw Materials	986.6	1178.8	1188.8	1322.8	1404.7	1642.3	1635.6
Capital Goods	602.7	397.9	293.3	389.5	365.8	491.8	546.4
Service Imports	993.8	937.7	857.4	904.7	971.0	1095.5	1096.1
Travel	53.7	53.6	63.9	64.2	65.0	129.2	139.9
Investment Income	532.2	492.9	365.3	335.8	347.5	388.1	333.5
Other Services	407.9	391.2	428.2	504.7	558.5	578.2	622.7
Total Imports	2936.2	2766.3	2632.8	3093.9	3203.2	3927.3	4012.5
Percentage							
Merchandise Imports	66.2	66.1	67.4	70.8	69.7	72.1	72.7
Consumer Goods	12.0	9.1	11.1	15.4	14.4	17.8	18.3
Raw Materials	33.6	42.6	45.2	42.8	43.9	41.8	40.8
Capital Goods	20.5	14.4	11.1	12.6	11.4	12.5	13.6
Service Imports	33.8	33.9	32.6	29.2	30.3	27.9	27.3
Travel	1.8	1.9	2.4	2.1	2.0	3.3	3.5
Investment Income	18.1	17.8	13.9	10.9	10.8	9.9	8.3
Other Services	13.9	14.1	16.3	16.3	17.4	14.7	15.5
Total Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Imports/GDP	56.1	56.5	66.7	64.6	65.8	na	na
Growth Rate							
Merchandise Imports	3.7	-5.9	-2.9	23.3	2.0	26.9	3.0
Consumer Goods	-9.6	-28.7	16.4	62.6	-3.0	50.8	5.3
Raw Materials	7.6	19.5	0.8	11.3	6.2	16.9	-0.4
Capital Goods	6.5	-34.0	-26.3	32.8	-6.1	34.4	11.1
Service Imports	6.9	-5.6	-8.6	5.5	7.3	12.8	0.0
Travel	-1.1	0.0	19.2	0.5	1.2	98.8	8.3
Investment Income	19.0	-7.4	-25.9	-8.1	3.5	11.7	-14.1
Other Services	-4.7	-4.1	9.5	17.9	10.7	3.5	7.7
Total Imports	2.2	-5.8	-4.8	17.5	3.5	22.6	2.2

Source: Bank of Jamaica, Balance of Payments Department; STATIN: *National Income and Product*, 1996.

APPENDIX B

ANALYSIS OF INVESTMENT PROJECTS IN THE PIPELINE

B1. From the standpoint of the National Industrial Policy, investment is one of the key strategic variables in analysis of the economy and in assessing economic performance.

B2. The accompanying tables provide a quantitative profile of investment projects in the pipeline that pass through the public-sector financial institutions (NDB, NIBJ) and JAMPRO, as of the indicated date.

B3. Note: (a) Because some projects are not exclusively handled by any single one of these agencies, there is some overlap in the data across the different agencies. (b) Because this information is limited to public-sector agencies, it provides an incomplete picture of the investment activity and potential in the economy as a whole.

B4. Analysis of the profile of investment projects reveals the following pattern:

(a) There is an overall concentration of projects in the tourism sector. This sector predominates in terms of the number of projects for expansion and new development (as distinct from debt restructuring), the scale of funding committed, and the projected gains in employment and foreign exchange earnings. Within the sector, the large hotels receive the largest share of funding.

(b) The manufacturing sector is second in both commitments and applications-in-process at NDB. It also leads in projects for debt restructuring at NIBJ (44% of total funding sought).

(c) The mining sector ranks high in terms of funds committed at NDB, and in terms of number of project start-ups and size of potential investment at JAMPRO.

(d) Agro-industry projects have a sizeable share of total commitments. Agriculture is under-represented in these agencies (relative to ACB), but ranks high in projects for restructuring at NIBJ.

(e) The services sector is well represented, with entertainment and information processing and film emerging as significant new areas for funding.

(f) Disbursement of funds relative to commitment/approval is running at a rate of 42% at NDB and much lower, 19%, at NIBJ.

(g) Applications in process relative to existing commitments (measured by total of local and foreign funds) is 81% at NDB and 140% at NIBJ.

(h) Bottleneck factors center on: financing, land acquisition, and government approval.

Table 1
National Development Bank of Jamaica, Ltd.:
Summary of Commitment and Disbursement Activities, January - December, 1996

Sector	No. of Projects	Committed		Disbursed		Projected Employment	Estimated Foreign Exchange Earnings US\$	Est. no. of rooms added
		J\$m	US\$m	J\$m	US\$			
Agro-Industry	26	54.968	.492	16.189	4.319*	134	152,497	
Garments	10	12.985	1.073	12.022	.126	249	138,364	
Manufacturing	38	190.720	1.800	53.613	2.206*	280	116,171	
Mining	8	114.617	0	57.991	0	49	0	
Services	26	87.740	1.068	55.400	.771	193	0	
Tourism	28	25.753	22.780	11.289	22.894	892	8,780,034	804
TOTAL	136	486.783	27.213	206.506	30.316	1,797	9,187,066	804

Source: Projects Department, NDB.

Note: * inclusive of commitments made in 1995.

Table 2
National Development Bank of Jamaica, Ltd.:
Summary of Applications in Process at February 7, 1997

Sector	No. of Projects	Local Funds Requested J\$m	Foreign Exchange Funds Requested US\$m
Agro-Industry	2	14.000	0
Manufacturing	19	26.690	11.020
Services	7	65.000	2.800
Tourism	9	3.200	16.450
TOTAL	37	111.890	30.270

Source: Projects Department, NDB.

Note: Projects submitted for Board approval/ratification, excluding amounts at project inquiry stage.

Table 3
National Investment Bank of Jamaica
Summary of Commitment and Disbursement Activities, January 1996 - January 1997

Sector	No of Projects	Approved J\$m	% of Total Appr.	Disbursed J\$m	Comments
Agriculture	4	20.240	1.1	14.000	
Agro-Industry	5	69.645	3.8	17.700	J\$22m for refinancing
Manufacturing <i>Apparel</i>	5 2	48.770 13.000	2.7 0.7	25.770 0	J\$8m for refinancing
Mining	4	73.800	4.1	35.122	
Entertainment	1	13.000	0.7	7.467	
Info-Technology	1	7.139	0.4	7.139	
Tourism	20	1,577.443	87.2	231.171	Small Hotels funds all for refinancing Large Hotel funds incl. J\$25m for investment; projects estimated to add 2150 rooms/suites to capacity; Other incl. J\$56m for refinancing
<i>Small Hotels</i>	7	55.700	3.1	26.428	
<i>Large Hotels</i>	10	1,445.743	79.9	200.743	
<i>Other</i>	3	76.000	4.2	4.000	
TOTAL	40	1,810.037	100.0	338.369	

Source: National Investment Bank of Jamaica

Table 4
National Investment Bank of Jamaica
Use of Funding Sources as at February 11, 1997

Sector	Approved J\$m	Disbursed J\$m	Applied for J\$m
JS\$1.0B Bond Issue			
Agriculture	8.240	2.000	128.482
Agro-Industry	69.645	17.700	57.237
Manufacturing	28.770	15.770	198.533
Mining	33.600	4.922	11.700
Entertainment	13.000	7.467	40.000
Tourism	256.700	30.428	190.600
TOTAL	409.955	78.287	626.554
US\$50M Bond Issue (JS\$1.75B)			
Tourism	1,225.000	105.000	2,387.847
Capital Development Fund (CDF)			
Agriculture	12.000	12.000	--
Manufacturing	20.000	10.000	--
Mining	40.200	30.200	--
Tourism	95.743	95.743	--
TOTAL	167.943	147.943	--
National Investment Bank of Jamaica Funds			
Info-Technology	7.139	7.139	--
GRAND TOTAL	1,810.037	338.369	3,014.401

Source: National Investment Bank of Jamaica

Note: Assumed exchange rate: J\$35 per US\$1

Table 5
National Investment Bank of Jamaica
Summary of Applications in Process at February 11, 1997

Projects for Debt Restructuring

Sector	No. of Projects	NIBJ Funding Sought, J\$m
Agriculture	8	114.760
Agro-Industry	5	57.237
Manufacturing	12	182.805
Mining	1	11.700
Tourism	8	48.920
<i>Small Hotels</i>	7	45.320
<i>Other</i>	1	3.600
TOTAL	34	415.423

Source: National Investment Bank of Jamaica

Note: Excludes a total of 4 projects for which letters of intent have been received but no specific funding request has been made.

Table 6
National Investment Bank of Jamaica
Summary of Applications in Process at February 11, 1997

Expansion & New Developments

Sector	No. of Projects	NIBJ Funding Sought, J\$m*
Agriculture	2	13.720
Manufacturing <i>Apparel</i>	3 <i>1</i>	15.729 <i>8.750</i>
Entertainment	1	40.002
Tourism <i>Hotels**</i> <i>Other</i>	13 <i>9</i> <i>4</i>	2,529.527 <i>2,387.847</i> <i>141.680</i>
TOTAL	19	2,598.978

Source: National Investment Bank of Jamaica

Notes: * Assumed exchange rate: J\$35 per US\$1

** Estimated to add 1540+ rooms/suites

Table 7
Summary of Investment Projects Initiated and Assisted by JAMPRO,
as at January 31, 1997
(start-up initiated, incl. pilot stage where applicable)

Sector	No. of Proj- ects	Potential Capital Investment J\$m	Potential Employ- ment
Agriculture	6	439.2	161
Information Processing	0	0	0
Tourism	10	6,871.8	1,345
Mining & Chemical	10	4,812.0	445
Textiles & Sewn Products	4	22.9	252
General Manufacturing	3	21.2	125
Entrepreneurial Centre	2	0.4	10
TOTAL	38	12,167.5	2,338

Source: JAMPRO

APPENDIX C

SECTORAL TARGETS, PROPOSED INITIATIVES, AND ACHIEVEMENTS

C1. The accompanying tables give detailed information on targets, initiatives, and achievements at the sector/product level to date.

C2. This information provides a useful, initial profile of the steps that are currently being taken or proposed to implement the National Industrial Policy in the various sectors. The information is preliminary in both its coverage of sectors and product lines as well as in its information content on actual initiatives and achievements. Missing information will be added as it becomes available.

C3. For the purpose of this review, the targets and initiatives have been grouped according to the following seven (7) objectives:

- **market penetration** — through export expansion or import substitution;
- **diversification** — extending the range/variety/value-added of products offered;
- **product design/quality** — improvements in existing products;
- **productivity** — gains in production efficiency through use of appropriate/state-of-the-art technology, skilled/trained workers, efficient management & organization, efficient distribution;
- **organization** — strategic alliances, networks, co-operative arrangements to take advantage of economies of scale, build critical mass, pool risk, share information, etc.;
- **investment** — in new capacity or in replacing/upgrading existing production facilities;
- **intersectoral linkages** — spillovers across product lines and sectors, creation of dynamic synergies that serve to reinforce growth within each sector.

C4. These objectives serve to operationalise in specific terms the broad goals of the NIP. They also provide a useful framework that implementing agencies are encouraged to apply in structuring and focusing their initiatives.

C5. There is necessarily some overlap in that a certain initiative may serve multiple objectives, for instance product diversification as well as market penetration, product quality as well as productivity.

C6. The following broad pattern emerges from the profile of targets and initiatives:

(a) In the majority of cases, proposed initiatives are directed primarily at the objectives of **market penetration** and **export diversification**.

(b) The *organization* objective is addressed primarily through efforts to establish/strengthen the *strategic alliance* between JAMPRO and other agencies servicing the respective sectors and through JAMPRO functioning as an information clearinghouse.

(c) Relatively little attention is paid to: *product design/quality*, *productivity*, and *intersectoral linkages*. Notable exceptions are the Textiles & Sewn Products, Tourism and Music & Entertainment sectors, where strong efforts are being made to develop a sharper focus on product design and quality issues and on the exploitation of synergies between the three sectors. Deepening of linkages is occurring also between tourism and agriculture.

(d) In terms of the specific nature of the initiatives proposed, promotional activities (participation in trade shows, advertising campaigns, newsletters, presentations, seminars, etc.) tend to predominate.

C7. The particular pattern of proposed initiatives that appears here may be a reflection of the nature of the available data set. However, implementing agencies are being encouraged to ensure that their efforts are integrated and complemented with initiatives in support of the entire spectrum of activities ranging from product innovation and design to efficiency in production, distribution and marketing. More specifically, once marketing efforts have opened up potential markets and established contacts, Jamaican firms must be in a position to deliver an innovative, top-quality product in sufficient quantity, on time, and at a competitive price.

SECTORS/PRODUCTS REVIEWED

(listed by Clusters as identified within the National Industrial Policy)

Cluster # 1

- Tourism
- Music & Entertainment

Cluster # 2

- Shipping & Berthing
- Information Technology
 - Information Processing
 - Telemarketing Services
- Financial Services

Cluster # 3

- Agriculture & Agro-Processing
 - Agriculture — General
 - Fresh Produce: Tropical Ethnic Crops
Tropical Exotic Fruits
Organic Foods
 - Agro-Processing
 - Aquaculture: Tilapia
Ornamental Fish
 - Horticulture

Cluster # 4

- Textiles & Sewn Products

Cluster # 5

- Minerals, Chemicals & Alternative Energy

Small Business Sector

Data Sources: JAMPRO, *Marketing Plans 1996/97*; Tourism Unit, Office of the Prime Minister; Port Authority of Jamaica; Ministry of Agriculture & Mining, *Corporate Plan 1997/98*; Micro Investment Development Agency.

TOURISM

Important efforts are currently underway to consolidate initiatives aimed at improving the tourism product and to rationalize and reorganize public sector entities involved with the tourism sector. Those efforts include:

- drafting legislation concerning the functions and operations of the Jamaica Tourist Board (JTB) and the Tourism Product Development Company Ltd (TPDCo);
- reorganization of the Tourism Division, OPM;
- development of a Master Plan for Tourism Development;
- establishment of the Prime Minister's Tourism Council.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Initiatives:</i>	* direct charter service (JAMVAC) from Western Canada since winter 96 and from Fort Lauderdale (since 95/96) * cruise-ship port infrastructure development
	<i>Achievements:</i>	* significant increase in arrivals from Western Canada * JAMVAC instrumental in developing Fort L. gateway * visitor arrivals up 3.9%; cruise passenger arrivals up 8.8% * gross visitor expenditures up 5.5%
Diversification	<i>Products:</i>	* nature, culture & heritage tourism * spas & retirement care facilities * family resorts * mid-market & small hotels
	<i>Markets:</i>	* Europe * Japan * Latin America
	<i>Initiatives:</i>	* lobby for incentives for eco-friendly & heritage-based projects * promotional activities * seminars/workshops * revitalization of Inns of Jamaica Programme
	<i>Achievements:</i>	* Port Royal Project: Agreement of Understanding signed * Falmouth: exploratory meetings held * stop-over arrivals from Europe up 5.5% * two new all-inclusive family resorts
Product Design/ Quality	<i>Target:</i>	* reduce harassment & crime directed at tourists * improve quality & competitiveness of tourism product * erase foreign investors' (Europeans') negative perception of Jamaica as unsafe, high-risk investment location * expand attractions sector

TOURISM (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Product Design/ Quality	<i>Initiatives:</i> * Sustaining the Environment & Tourism (SET) Programme extended to Montego Bay in 96; to be extended to Negril & Portland in 97/98 * Northern Jamaica Development Project (infrastructure) * GCT relief for attractions sector * seminars/workshops on International Quality Standards * various training seminars for tourism workers * promotional activities <i>Achievements:</i> * reported harassment/crime incidents down 17% since 1995 (down over 50% since 1993)
Productivity	<i>Initiatives:</i> * seminars/workshops on physical plant management, information technology
Organization	<i>Initiatives:</i> * launching of Prime Minister's Tourism Council * strategic alliance with overseas offices, Embassies, etc; with local agencies, eg JHTA, UDC, TPDCO, JTB etc; with Caribbean & World Tourism Organizations etc
Investment	<i>Target:</i> * min. of 4 new accommodations projects with min. value of J\$1B creating min. of 400 job opportunities * 4 new joint venture partnerships (accommodations) at J\$8B under Target Europe Programme * two attractions projects at US\$506M and job potential of 91 <i>Initiatives:</i> * Port Royal & Falmouth projects * promotional activities for Jamaica: multimedia software, newsletter, seminars & workshops * promotional activities for US, Europe & Japan: business lunches, calls to investment banks, multimedia software, investment fora, consumer trade shows, advertising in relevant publications <i>Achievements:</i> * 7 new accommodations projects implemented in 95/96; total value of J\$1.75B; 509 job opportunities * 4 new attractions projects implemented; capital investment of J\$625.2M; 144 jobs
Intersectoral Linkages	<i>Initiatives:</i> * "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings, gourmet foods)

MUSIC & ENTERTAINMENT

The marketing thrust focuses on four broad segments in the Music & Entertainment sector:

- recorded music (Reggae, Dancehall, Fusion, Rock Steady, Ska, Mento, Binghi)
- live performances
- recording facilities
- themed entertainment districts/seasons.

NIP OBJECTIVE SPECIFIC TARGETS & PROPOSED INITIATIVES

Export Volume/ Import Substitution/ Market Penetration/	<i>Target:</i>	* increase visibility in international markets * penetrate traditional & non-traditional markets, in particular: US, Japan, Brazil, UK, Jamaica
	<i>Initiatives:</i>	* MIDEM '97 as springboard for marketing campaign * concept/trademark "Jamaican Sound" * aggressive national & international marketing programme * public education campaign * market research * develop Jamaican-based international distribution network * compile worldwide database of distributors, licensing agents, media contacts
Diversification	<i>Products:</i>	* foreign language recordings * re-mixes, strategic covers of popular songs
	<i>Markets:</i>	* Africa * France
	<i>Initiatives:</i>	* promotional activities, including: targeting public radio stations, "Diplomatic Goodwill Tour", Jamaican exporters to sponsor overseas engagements
Product Design/ Quality	<i>Target:</i>	* creative packaging & presentation (red/green/gold motif for cultural/national identification; inclusion of historically & culturally relevant information) * state-of-the art studio facilities
Productivity	<i>Target:</i>	* improved distribution * technology transfer; state-of-the-art studio facilities
	<i>Initiatives:</i>	* amend Motion Picture Industry Encouragement Act to encourage/facilitate technology transfer

MUSIC & ENTERTAINMENT (continued)

NIP OBJECTIVE SPECIFIC TARGETS & PROPOSED INITIATIVES

Organization	<i>Initiatives:</i>	* strategic alliances with media; African-American entertainers/lawyers/ financiers; Nat'l Academy of Recording Arts & Science * networking of local international record companies * The Entertainment Bureau (special vehicle company convened by JAMPRO to represent/negotiate on behalf of product owners unable to attend MIDEM; need for such representation on permanent basis)
Investment	<i>Target:</i>	* facilitate pipeline projects totaling US\$10M
Intersectoral Linkages	<i>Target:</i>	* designer fashion, reggae fashion * Jamaica as cultural Mecca (Reggae-Rasta link) * tourism * themed eateries, attractions, shopping areas
	<i>Initiatives:</i>	* Jamaican exporters to sponsor overseas engagements * <i>intrasectoral</i> linkages between music and film/TV soundtracks to be pursued aggressively * "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings gourmet foods) * Jamaica Jamboree, New York (10/96), promoting design-led products

SHIPPING & BERTHING

Activities in the Shipping & Berthing sector center around the Port of Kingston which has experienced significant growth in transshipment activity in recent years. To consolidate and further develop the Port's position as a major regional transshipment hub for containerised cargo, the Gordon Cay South Terminal Expansion Programme was embarked upon in October 1994. In July 1996, an additional 2,000 feet of berthing space was commissioned into service, effectively doubling the transshipment capacity of the Port of Kingston. In addition, the expansion programme involves the construction of additional container storage space, the acquisition of state-of-the-art equipment and the provision of necessary infrastructural support. As traffic at the Container Port is projected to be close to optimum capacity by the year 2000, further expansion plans are currently under discussion.

In addition to its transshipment activities, the Shipping & Berthing industry also provides critical support services to other sectors of the economy by facilitating the handling of cargo for import and export, with specialist facilities devoted to fruit and bulk products.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
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Export Volume/ Import Substitution/ Market Penetration	<i>Initiatives:</i> * Port infrastructure development (Gordon Cay South Terminal Expansion Programme) * funding support, financial leveraging * marketing activities <i>Achievements:</i> * 5.6% increase in number of ship calls at transshipment port over 1995 * 23.4% increase in number of container moves over 1995 * 23.1% (US\$ 10.6 M) increase in revenue from transshipment Port over FY 1995/96
Diversification	<i>Initiatives:</i> none specified
Product Quality/ Design	<i>Target:</i> * improvements in turn-around time for ships <i>Initiatives:</i> * installation of computerised vessel and yard-planning systems * infrastructure improvements & expansion * acquisition of state-of-the-art equipment (gantry cranes, straddle carriers, tugboat etc)
Productivity	<i>Initiatives:</i> * see Product Quality/Design
Organization	<i>Initiatives:</i> none specified

SHIPPING & BERTHING (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Investment	<i>Initiatives:</i> * Port Authority of Jamaica investment in upgrading and expansion of port infrastructure and equipment
Intersectoral Linkages	<i>Initiatives:</i> * direct link with information technology sector * infrastructure investment to upgrade or develop specialist facilities for handling import & export cargo (especially fruit and bulk products)

INFORMATION TECHNOLOGY -- INFORMATION PROCESSING (Data Entry)

NIP OBJECTIVE SPECIFIC TARGETS & PROPOSED INITIATIVES

Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* none quantified
	<i>Initiatives:</i>	* promotional activities: participation in trade shows, advertisement in trade publications * exposition in conjunction with JDI, TOJ
Diversification	<i>Product:</i>	* multi-lingual, multi-media package * personal banking applications * high-end data entry services (GIS, CAD/CAM, Imaging)
	<i>Market:</i>	* large consumers of software support such as healthcare, financial, environmental, publishers, car rental agencies * Europe
	<i>Initiatives:</i>	* work with JAMPRO Target Europe Secretariat * promotional activities
Product Design/ Quality	<i>Initiatives:</i>	* liaise with UWI, UTECH, HEART, EXED to establish training programme in software skills
Productivity	<i>Initiatives:</i>	* client-servicing to ensure that companies are utilizing current systems and/or technology * establish high-tech office park with free zone status
Organization	<i>Initiatives:</i>	* formation of active trade & professional association * facilitate strategic alliances to more effectively exploit opportunities through co-operative marketing & generation of "critical mass" * sector to foster closer collaboration with J. Computer Society
Investment	<i>Target:</i>	* no specific target quantified
	<i>Initiatives:</i>	* promotional activities; co-operative marketing with overseas Trade Commissions; seminars * lobby for high-tech office park, investment incentives * seminars to sensitize financial sector to IT sector's viability, opportunities, investment needs
	<i>Achievements:</i>	* total Jampro-assisted IT projects (incl. Telemarketing, data entry, software development): J\$150M; 415 jobs
Intersectoral Linkages	<i>Target:</i>	* facilitate co-operative marketing with complementary sectors, eg. tourism

INFORMATION TECHNOLOGY -- TELEMARKETING SERVICES

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* 50% growth in Call Centre activity (# of centres, employment, value of business)
	<i>Initiatives:</i>	* promotional activities: participation in trade shows, advertising campaigns in key publications * lobby TOJ/JDI to rationalize their rates * exposition in conjunction with JDI, TOJ
Diversification	<i>Product:</i>	* database marketing * multi-lingual services
	<i>Market:</i>	* companies with high percentage of consumer inbound calls (audiotext, directory assistance, reservations, Jamaica Today, physician referrals etc) * companies with high percentage of business outbound calls (mail order, answering services)
	<i>Initiatives:</i>	* Europe * promotional activities * collaboration with Target Europe
Product Design/ Quality	<i>Initiatives:</i>	* liaise with UWI, UTECH, HEART re manpower development
Productivity	<i>Initiatives:</i>	none specified
Organization	<i>Initiatives:</i>	* formation of an active trade & professional association * facilitate strategic alliances to more effectively exploit opportunities through co-operative marketing
Investment	<i>Target:</i>	* no specific target quantified
	<i>Initiatives:</i>	* promotional activities * lobby for investment incentives
	<i>Achievements:</i>	* total Jampro-assisted IT projects (incl. Telemarketing, data entry, software development): J\$150M; 415 jobs
Intersectoral Linkages	<i>Target:</i>	* facilitate co-operative marketing with complementary sectors, eg. tourism

FINANCIAL SERVICES

The current range of financial services offered in Jamaica includes commercial banking, investment banking, insurance and unit trusts. Plans to broaden the country's range of capabilities in this sector focus on the development of off-shore financial centres which allow international corporations to minimize their tax liabilities by locating in low-tax territories. To date, some 440 Foreign Sales Corporations (FSCs) have been registered in Jamaica. Expanding Jamaica's service export offerings in this area would provide immediate options for utilization of the excess capacity among existing banks, insurance companies, and the cadre of well-trained professionals that has resulted from the current contraction in the financial sector.

Existing legislation already provides some of the incentives required to develop Jamaica's position in this market, but a more targeted approach is necessary to further strengthen competitiveness. Minor amendments to existing legislation such as the Companies Act, the New Companies Bill 1996, the Foreign Sales Corporation Act 1984, the Income Tax Act, and the Stamp Duty Act could make a significant contribution in this regard.

Efforts are currently underway to heighten awareness of opportunities among local service providers and to increase Jamaica's visibility in the FSC market.

NIP OBJECTIVE

SPECIFIC TARGETS & PROPOSED INITIATIVES

**Export Volume/
Diversification/
Investment**

Target:

* broaden financial services offerings, in particular promote Jamaica as an attractive offshore financial centre

Initiatives:

* measures to increase visibility in FSC market, eg. private-public sector delegation, headed by ministerial representatives, attended FSC/DISC Tax Association Conference, Orlando, 11/96
* market study of FSC potential commissioned

**Intersectoral
Linkages**

Initiatives:

* strong linkage potential identified with tourism, information technology

AGRICULTURE — GENERAL

Primary policy measures in support of continued growth and development of the sector to focus on:

- increased agricultural production, exports, and productivity;
- institutional support;
- increased watershed protection & afforestation;
- export pre-clearance.

NIP OBJECTIVE SPECIFIC TARGETS & PROPOSED INITIATIVES

**Export Volume/
Import Substitution/
Market Penetration**

Target:

- * increase production & export of traditional & non-traditional crops

Initiatives:

- * banana: meet EU quota; 105,000 tons over next 2 years
- * increase foodcrop production for domestic use by 10%
- * projects to improve watershed management (see Environment)
- * Agricultural Export Services Project
- * preparation of Agricultural Support Services Project to strengthen research, extension, planning & marketing; financial assistance of micro-proposals
- * one-stop export pre-clearance facility at Norman Manley Airport (to be completed by Fall '97)
- * improve plant quarantine & food inspectorate; implementation of Integrated Pest Management Programme
- * recruitment of International Trade Specialist to focus on issues related to international trade agreements
- * special laws and special arm of Police to address praedial larceny
- * MAM National Country Paper on Food Security; recommendations to be implemented in FY 97/98
- * farmers' workshops in conjunction with RADA
- * studies on market opportunities for non-traditional crops
- * see also: Productivity initiatives

Achievements:

- * increased export crop production & export volumes (especially sugar cane & bananas)
- * residue testing facility to meet EU standards established in MAM Veterinary Division

Diversification

Products:

- * dasheen, culinary herbs, exotic fruits & vegetables

Initiatives:

- * projects under aegis of USAID co-funded Agricultural Export Services Project

AGRICULTURE — GENERAL (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Product Design/ Quality	<i>Initiatives:</i>	* support services for disease/pest control * Banana Quality Improvement Project * see also: Productivity initiatives
Productivity	<i>Initiatives:</i>	* strengthening of support services * strengthening of agricultural research support for technology development & dissemination (project proposal to be submitted for World Bank funding) * restructuring of National Agricultural Research System; to include co-operative system between Government & Private Sector * funding for Bodles Agricultural Research Station approved * water storage tanks project (funding not yet identified)
	<i>Achievements:</i>	* productivity increases in banana growing (tonnes/hectare up 8.3%)
Organization	<i>Initiatives:</i>	* MAM to establish data bank; analyze & distribute information (Agricultural census conducted in 1996) * MAM to liaise with other agricultural institutions * MAM to provide small farmers with agricultural inputs necessary for increased production
Investment	<i>Achievements:</i>	* selected investment projects: Sea Island Cotton: J\$10.5M; 5 jobs Livestock (2): J\$2.3M; 6 jobs Medicinal herbs (2): J\$12.4M; 12 jobs
Intersectoral Linkages	<i>Achievements:</i>	* 3 projects fostering value-added linkages between farming & agro-processing implemented (Twickenham Bammies, Lucea Dasheen, Reaches Dasheen)
Environment	<i>Target:</i>	* reduce environmental degradation * improve watershed management
	<i>Initiatives:</i>	* Hillside Agricultural Project * Yallahs/Morant Integrated Development Project * purchase/distribution of fruit trees to small farmers to reduce soil erosion, improve eco-system * passing of Forestry Act (10/96)

FRESH PRODUCE -- TROPICAL ETHNIC CROPS
(yam, sweet potato, dasheen, pumpkin, hot pepper)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* increase export volume & market share in US, UK & Canada
	<i>Initiatives:</i>	none
Diversification	<i>Markets:</i>	* general population (as opposed to ethnic/immigrants) * mainstream small chain stores
	<i>Initiatives:</i>	none
Product Design/ Quality	<i>Initiatives:</i>	none specified
Productivity	<i>Initiatives:</i>	* collection & dissemination of technical information (IICA, RADA)
Organization	<i>Initiatives:</i>	* formation of Fresh Produce Association; core group activities ongoing; official formation expected 1997 * strategic alliance between Jampro & other agencies servicing the sector (JEA, IICA, RADA etc); ongoing
Investment	<i>Initiatives:</i>	* farmers' fora, promotional activities
	<i>Achievements:</i>	* winter squash for export to US: J\$7M; 17 jobs
Intersectoral Linkages	<i>Initiatives:</i>	none specified

**FRESH PRODUCE -- TROPICAL EXOTIC FRUITS
(mango & papaya)**

NIP OBJECTIVE SPECIFIC TARGETS & PROPOSED INITIATIVES

Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* increase export volume & market share in US, UK & Canada
	<i>Initiatives:</i>	* promotional activities: trade show participation in association with J. Papaya Growers Assoc'n (JPGA)
Diversification	<i>Markets:</i>	* general population (as opposed to ethnic/immigrants) * specialty stores, mainstream super- and hyper-markets * Europe
	<i>Initiatives:</i>	* promotional activities, point of sale information (recipe cards, taste testing); updated for Canadian market via CANEXPORT * Target Europe Programme
Product Quality/ Design	<i>Initiatives:</i>	* development of Grade & Quality Standards for papaya
Productivity	<i>Initiatives:</i>	* collection & dissemination of technical information (IICA, RADA) * training course conducted in Post Harvest Technology for Papaya * production manual prepared for publication in collaboration with JPGA
Organization	<i>Initiatives:</i>	* formation/strengthening of Mango Growers Association, JPGA, Fresh Produce Association * strategic alliance between Jampro & JEA, IICA, RADA etc
Investment	<i>Target:</i>	* investment in growing of papaya, espec. in view of overseas demand exceeding supply
	<i>Initiatives:</i>	* farmers' fora, publications
Intersectoral Linkages	<i>Initiatives:</i>	none specified

FRESH PRODUCE -- ORGANIC FOODS

Organic farming in Jamaica is in its infancy with a few small farmers producing largely for the local market. The exception is one sugarcane project which grows and processes sugarcane into sugar, syrup and molasses for export. Export demand for all three products exceeds supply. In general, the market for organic produce has experienced significant growth, and demand far exceeds supply. Over the years, JAMPRO has received several inquiries from overseas (US, Canada, UK, Europe) for organic products, in particular tropical fruits, vegetables, honey, herbs & spices, cotton, hemp as well as processed foods.

The focus of JAMPRO's promotional plans for the industry is to create awareness of investment and export opportunities in organic foods.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Diversification/ Investment	<i>Target:</i>	* increase awareness of investment opportunities in organic foods, in particular for export * pilot project of min. 10 acres of organic bananas or other crops * min. 1 additional export project
	<i>Initiatives:</i>	* market research ongoing
	<i>Achievements:</i>	* 5 acres (ginger, turmeric) in 1996; 5 acres in ground for 1997; Capital investment: J\$3.5M; 21 jobs
	<i>Initiatives:</i>	* strengthen alliance with JOGA (Jamaica Organic Growers' Association, RADA, JEA, SRC, Bureau of Standards, international entities (International Federation of Organic Agricultural Movements, Organic Crop Improvement Assoc'n) * request for Japanese funding assistance for sector development
Organization	<i>Initiatives:</i>	

AGRO-PROCESSING

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* increase foreign exchange earnings by 25 % * increase presence in mainstream markets
	<i>Initiatives:</i>	* promotional activities: participation in trade shows (5), in-store promotions (3), `advertisement in relevant publications * workshop: "Selling in the Marketplace"
Diversification	<i>Products:</i>	* private label production to increase capacity utilization * dairy: yogurt, flavoured cheeses
Product Design/ Quality	<i>Initiatives:</i>	* general quality standards seminars (4) * HACCP workshops (4) * Better process control school (1)
Productivity	<i>Initiatives:</i>	* see Product Quality/Design
Organization	<i>Initiatives:</i>	* strategic alliance: Agro-Processors Resource Network launched (APRN; comprised of JAMPRO, SRC, UWI, Bureau of Standards, Ministry of Health, RADA, NDB)
Investment	<i>Target:</i>	* 4 new investment projects with US\$ 10M total capital investment
	<i>Initiatives:</i>	* project development support for potential investors * investment seminar in Toronto
	<i>Achievements:</i>	* carbonated beverages: J\$105M; 45 jobs * cigar manufacturing (3): J\$143.5M; 305 jobs
Intersectoral Linkages	<i>Target:</i>	* availability of suitable, competitively priced packaging * more efficient farmer/processor linkages
	<i>Initiative:</i>	* feasibility study on flexible bottling plant more suitable to smaller size packaging
	<i>Achievements:</i>	* PET bottling plant installed

AQUACULTURE -- TILAPIA

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i>	* increase volume of export to major markets in North America & Europe by 550 tons (120%)
		* increase market share in these markets
	<i>Initiatives:</i>	* market research (via Target Europe) * promotional activities: trade shows, point-of-sale promotion (eg recipe cards) (via Target Europe)
	<i>Achievements:</i>	* export target negatively affected by diseases outbreak in US
Diversification	<i>Markets:</i>	* Germany, Spain, France identified as major growth markets
Product Design/ Quality	<i>Initiatives:</i>	* quality control programme (via Jampro Productivity Unit & Target Europe)
Productivity	<i>Initiatives:</i>	* collection & dissemination of technical information via Jamaica Aquaculture Association
Organization	<i>Initiatives:</i>	* strategic alliance between Jampro & UWI (Marine Science/Biology), Jamaica Aquaculture Association, Fisheries Division
Investment	<i>Target:</i>	* increase capital investment by J\$39M
	<i>Initiatives:</i>	* promotional activities
	<i>Achievements:</i>	* capital investment: J\$28.8M; 21 jobs (job potential: 38)
Intersectoral Linkages	<i>Initiatives:</i>	none specified

AQUACULTURE -- ORNAMENTAL FISH

Tropical Ornamental Fish farming is an emerging industry in Jamaica. With currently merely six commercial producers engaging in exports, mainly to the US market, and reports of unsatisfied demand in the US, the industry is poised for further development.

The focus of JAMPRO's promotional plans for the industry is to create awareness of investment and export opportunities in ornamental fish farming.

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Diversification/ Investment	<i>Target:</i>	* increase awareness of investment opportunities in commercial ornamental fish farming, in particular for export * promote Jamaica as supplier of wide range of tropical ornamental fish throughout the year * project implementation: 6 projects, J\$50M capital investment, job potential: 80
	<i>Initiatives:</i>	* market research, feasibility study regarding industry expansion * participation in one local trade show (11/96)
	<i>Achievements:</i>	* capital investment: J\$10M; 5 jobs (job potential: 15)
Organization	<i>Initiatives:</i>	* strengthen alliance with Ornamental Fish Growers Association, Ministry of Agriculture, Ja. Agricultural Development Foundation; ongoing close cooperation with Jampro

ORNAMENTAL HORTICULTURE

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES	
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i> * increase export volume by 57% * regain market share in US market * increase presence in Canadian market, espec. Vancouver <i>Initiatives:</i> - none	
Diversification	<i>Products:</i> * expand product range to include min. 2 new crops * increase exports of bouquets <i>Markets:</i> * Europe <i>Initiatives:</i> * continued support of evaluation trial for new crops (calla lily & sandersonia) * alliance with COLEACP, Target Europe Programme	
Product Design/ Quality	<i>Initiatives:</i> * none specified	
Productivity	<i>Initiatives:</i> * support funding for feasibility study & recommendations for Integrated Pest Management programme; study to be redefined * ongoing support evaluation of packaging for anthuriums through trial shipments * 1 company participated in training course funded by Dutch CBI and COLEACP	
Organization	<i>Initiatives:</i> * strategic alliance between Jampro & local & overseas agencies & sector representatives (RADA, Dutch CBI, COLEACP, Caribbean Export Dev. Agency) * formation of Ornamental Horticulture Association; core group active; formalization pending * Anthurium Growers Association	
Investment	<i>Target:</i> * implement min. 4 new projects, J\$24M, 40 permanent jobs <i>Initiatives:</i> * investment seminar; small farmers to be targeted * promotional activities, including radio & TV programmes <i>Achievements:</i> * capital investment: J\$3.5M; 23 jobs	
Intersectoral Linkages	<i>Initiatives:</i> * none specified	

TEXTILES & SEWN PRODUCTS

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i> * increase total value of exports to all markets by 15% * increase presence in new & established markets * expansion of local market <i>Initiatives:</i> * market research & comparative study on competitors * PR campaign to improve industry image, espec. among workers * seminar on pricing strategy * promotional activities: participation in trade shows, targeted outward missions, advertisement * import restrictions <i>Achievements:</i> * as at 2/97: 2 contracts awarded, valued at J\$2M, as result of trade show participation * as at 2/97: JAMPRO records implementation of 12 contracts valued at J\$212.1 million, facilitating retention of 865 jobs
Diversification	<i>Products:</i> * new products to be targeted by 807/CMT sector (sleepwear, children's wear, dresses, woven shirts, blouses, skirts, trousers) * full package/designers products (ladies' separates/coordinates, lingerie, swimwear, gymwear, trousers) * "private label" and novelty/souvenir items (in conjunction with entertainment industry, using Rasta/Reggae image) <i>Markets:</i> * Europe: UK, Germany, Greece, Spain * Latin America: Colombia, Venezuela, Mexico & CARICOM; Japan * local market <i>Initiatives:</i> * primarily promotional activities * product development & planning (see below)
Product Design/ Quality	<i>Target:</i> * improve product development & planning <i>Initiatives:</i> * facilitate access to raw material inputs through development of backward linkages (develop data base on input suppliers; investment in trims, accessories, textile, finishing industries) * special training programmes in preparation * improve quality of packaging material & labelling * R&D to update/upgrade products

TEXTILES & SEWN PRODUCTS (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Productivity	<i>Initiatives:</i> * training programme re: physical distribution function * security audits * subscription to trade magazines to gain information on new & improved manufacturing systems and technology * special training programmes (in preparation, to be presented to the sector) * programme of energy audits in preparation by JAMPRO & JPSCo
Organization	<i>Initiatives:</i> * re-establish Designer Association * JAMPRO to serve as information clearinghouse * introduction of Client Services Management Programme to plan and implement sector strategies, foster cooperation between JAMPRO & sector * formation of Industry Advisory Council
Investment	<i>Target:</i> * implement min. 10 new projects * increase value of investments by 25% to J\$200M <i>Initiatives:</i> * establishment of overseas investment offices * promotional activities, sales visits <i>Achievements:</i> * 4/96 - 3/97: 8 projects implemented at J\$210M, 907 jobs * as at 2/97: 8 investment projects at J\$259.5, 728 jobs, in pipeline * as at 2/97: 1 joint venture implemented at J\$2.5M
Intersectoral Linkages	<i>Target:</i> * backward linkages with fabric, trims, accessories suppliers * exploit linkages to entertainment sector for promotion of souvenir products <i>Initiatives:</i> * develop database on input suppliers * investment incentives for manufacturing of trims, accessories * use overseas sales promotion events (eg Japansplash) for promotion of garment products * "Sugar Loaf Presentation" at Round Hill Hotel (3/18/97) to foster linkages between tourism sector and design-led products (arts & crafts, fashion, music, home furnishings gourmet foods); * "Jamaica Jamboree", New York (10/96) promoting design-led products

MINERALS, CHEMICALS & ALTERNATIVE ENERGY

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i> * aggregate: increase exports by minimum of 500,000 tons * ground calcium carbonate: increase exports by 90,000 tons * lime: import substitution by Bauxite companies: 100,000 tons - export of extra capacity: 72,000 tons * import substitution in commercial marble (on hold) <i>Initiatives:</i> * market research; JAMPRO to develop data base * promotional activities: greater participation in trade shows; newsletters, newspapers, INTERNET * MAM: limestone quarry zoning & related activities
Diversification	<i>Products:</i> * bottled mineral water (price-competitiveness requires PET bottle production) * mineral spa facilities * marble tiles for flooring, walls, furniture * precious & base metals (gold, silver, nickel, copper) * semi-precious stones * alternate energy products (solar, wind) <i>Markets:</i> * development of new markets listed as objective * focus on North America, South American & Caribbean * local market (& tourists for mineral spas) <i>Initiatives:</i> * promotional activities * MAM to evaluate & promote Jamaica's non-bauxite metallic minerals potential <i>Achievements:</i> * four new companies in Marble; one new company with Marble Furniture Project
Product Design/ Quality	<i>Initiatives:</i> * develop labels and packaging for marble, limestone, whiting
Productivity	<i>Initiatives:</i> * R&D support/technical assistance to be sought from UWI, GSD, MAM, Industrial Minerals Institute, Jampro Productivity Center, NRCA etc.
Organization	<i>Initiatives:</i> * maintain/develop information base on sector * coordinate outside R&D support/technical assistance

MINERALS, CHEMICALS & ALTERNATIVE ENERGY (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Investment	<i>Target:</i> * 4-6 projects <i>Initiatives:</i> * promotional activities re: investment potential * MAM to expand/upgrade geological maps, geochemical & geophysical data * MAM to provide technical & analytical support <i>Achievements:</i> * completion of Tarentum Industrial Park * three new investors in limestone (whiting) * new crushed stone/sand/gravel investment project in St. Ann currently seeking development loan to open quarry * 2 lime investment projects implemented: J\$566M; 57 jobs * 11 pipeline projects: J\$4.8B; 445 jobs
Intersectoral Linkages	<i>Target:</i> * sourcing of PET bottles abroad = major constraint for mineral water product * need for caustic soda plant as product currently imported by Bauxite industry * linkage potential: mineral spas & tourism sector * linkage potential: marble & construction, furniture sectors * 2 new linkage projects <i>Initiatives:</i> * project development (min. 3; eg. caustic soda, steel, lime, calcium carbide) * targeted promotional activities * submission of Policy Document on Incentives (min. 2 projects, eg PET bottle production, Spa facilities etc)
Environment	<i>Target:</i> * stem illegal removal of sand <i>Initiatives:</i> * regulation & enforcement (police/military); monitoring committees * development of limestone substitute for river sand for use in construction * MAM to liaise with environmental agencies, eg NRCA

SMALL BUSINESS

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Export Volume/ Import Substitution/ Market Penetration	<i>Target:</i> * introduce entrepreneurs to international market place * establish trading links between local entrepreneurs & Jamaican residents abroad <i>Initiatives:</i> * alliance with export & trade promotion entities (JETCO) * target enterprises with export potential & encourage participation in Expos/trade fairs
Diversification	<i>Initiatives:</i> none specified
Product Design/ Quality	<i>Initiatives:</i> none specified; spill-overs from productivity-enhancing measures
Productivity	<i>Target:</i> * business upgrading, espec. in apparel, furniture, agro-processing, community groups (craft, paper) * appropriate technology & methodology * production lay-out * record-keeping/accounting systems <i>Initiatives:</i> * business management workshops * market research to gather information on new technologies * skills/technology upgrading workshops (in collaboration with SRC, HEART/NTA)
Organization	<i>Initiatives:</i> * strategic alliance with other (Small) Business Development Agencies (SRC, RADA, UTECH, SBAJ) * alliance with trade & export promotion entities * JAMPRO to serve as broker for accessing financing, marketing etc services * Entrepreneurship Club (monthly meetings) * SBAJ Fellowship Hall Development Complex: provision of factory space & centralized support system; located on 70 acres; financed through J\$20M NIBJ equity participation; J\$35M, 8% NDB loan

SMALL BUSINESS (continued)

NIP OBJECTIVE	SPECIFIC TARGETS & PROPOSED INITIATIVES
Investment	<i>Target:</i> * establishment/expansion of 84 projects * increase value of investments by 20% (J\$21M) <i>Initiatives:</i> * provide business counseling & business plan preparation services * serve as broker for financing, marketing etc services * promotional activities: presentations, workshops, media * Youth Camp participation, presentations at PTA * investment seminars * participation in SBAJ expo
Intersectoral Linkages	<i>Initiatives:</i> none specified
Credit Initiatives	* J\$11.5M Japanese Grant (administered by World Bank) to assess current credit delivery system to micro/small business sector; tenders currently under review; preparatory work to take 6 months * GOJ/GON Micro Enterprise Project: provision of J\$234M in credit to the sector & technical assistance to financial institutions; since inception of 2nd phase: J\$206 (plus J\$35 from credit institutions) disbursed to finance 801 micro-businesses * GOJ/EU Small & Micro Enterprise Credit Scheme: J\$256M to be retailed to borrowers through Eagle Merchant Bank over 2-year period. 4-12/95: J\$52.4M disbursed to finance 164 businesses, creating 201 new jobs. Further disbursement suspended; programme under review; recommencement targeted for 7/97 * MIDA to seek approval for measures to reduce funding constraint.

Figure 1
STRATEGIC PLAN
Policy Matrix

Objectives	Policies	Interventions/ Implementation
Stability, Predictability, Credibility	Macroeconomic Policy	* Fiscal Controls * Monetary Controls * BOJ Autonomy * Social Partnership
Growth and Diversification through building International Competitiveness	INDUSTRIAL STRATEGY Investment Promotion * Incentive System * Financing Mechanisms * Investment Packaging Infrastructure * Physical Infrastructure * Human Resource Development * Science & Technology Support Framework * Trade Policy * Labour Market Policy * Competition Policy * Small Business Development * Public Sector Reform	* Time-phased Sequence of Strategies * Targeting Strategic Sectors * Continuous Consultation between Government, Business, Labour, and NGOs
Equity	Social Policy * Poverty Alleviation * Gender Perspective	* Social Agenda
Conservation of the Environment	Environmental Policy	* Incentives * Regulation/Enforcement * Public Education

Figure 2
POLICY INTEGRATION AND COORDINATION

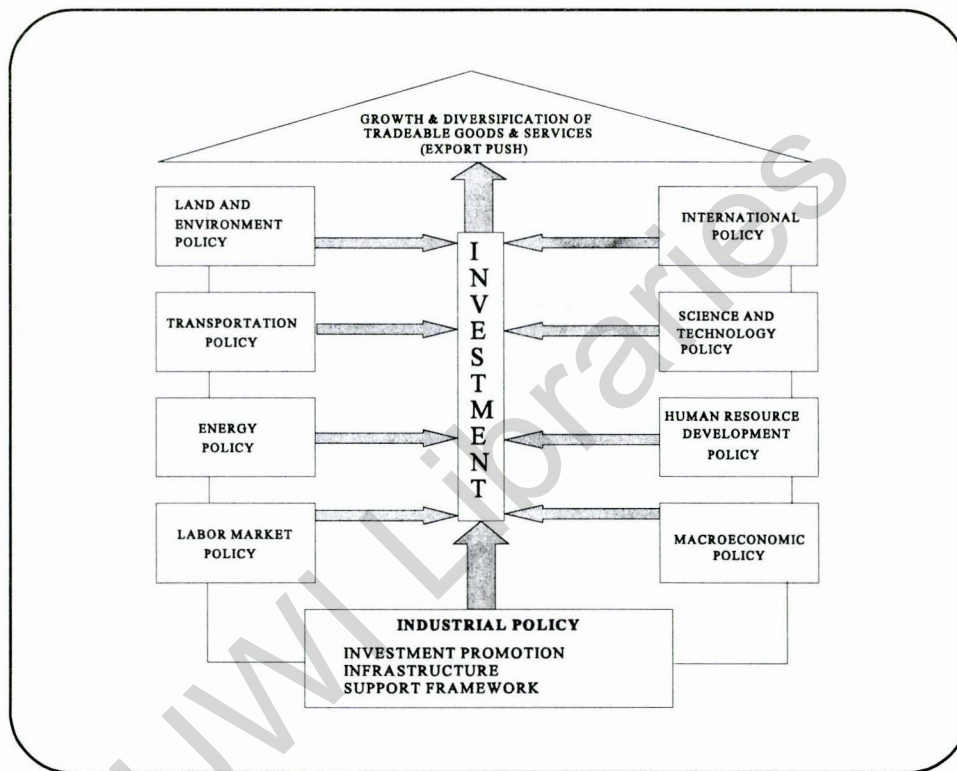


Figure 3
TIME-PHASED SEQUENCE OF IMPLEMENTATION STRATEGIES

1996	1997-1998	1999-2010
Phase 1 Short-term Strategy: establish Social Partnership		
Phase 2 Medium-term Strategy:	growth with stability	
Phase 3	Long-term Strategy:	export push and efficient import substitution

Figure 4
STRATEGIC INDUSTRY CLUSTERS

