

# OVERVIEW

## INTRODUCTION

During 2010 the Jamaican economy and society were impacted by several global and domestic developments which influenced the outturn of key developmental indicators. The economy was negatively affected by the lingering effects of the global economic crisis, particularly through weak external demand and private financial flows. The deterioration in the Current Accounts of the Balance of Payments resulted in the Government of Jamaica (GOJ) entering into a borrowing arrangement with the International Monetary Fund through the signing of a 27 month Stand-By Arrangement in February 2010. In order to complete the signing of the Stand-By Arrangement by the IMF, the GOJ was required to complete three prior actions, namely:

- the implementation of a tax package aimed at yielding approximately 2.0 per cent of GDP
- the implementation of the Jamaica Debt Exchange (JDX) programme which involved the voluntary exchange of existing domestic bonds for new bonds at lower interest rates and longer maturities. This was expected to yield \$40.0 billion in savings in interest payments,
- the initiation of the process to divest the Air Jamaica.

A limited State of Emergency which occurred between May and June in sections of Western Kingston, St. Catherine and Clarendon also impacted the performance of the economy during the year. Several industries including Wholesale & Retail Trade, Manufacture and Tourism were adversely affected by the temporary closure of businesses and the travel advisories issued by Jamaica's major tourist source markets. The total impact of these Events in the Western Kingston on the economy<sup>1</sup> was estimated at \$22.5 billion or 2.1 per cent of total GDP for 2009. Total damage and losses incurred by productive sector amounted to \$20.9 billion and accounted for approximately 93.0 per cent of the total. The tourism industry accounted for the largest share of the total losses at \$20.0 billion of 88.9 per cent.

In September, the country was affected by Tropical Depression No. 16 and rains associated with Tropical Storm Nicole which caused total damage and losses valued at \$20.5 billion or 1.9 per cent of 2009 GDP. The impact of the rains was largely concentrated on infrastructural damage to roads, drains and bridges (94.1 per cent of the total). The productive sectors recorded total damage and losses of \$763.0 million of which the Agriculture industry accounted for \$531.6 or 69.7 per cent.

**Real GDP** was estimated at \$484 577.8 million, representing a decline of 1.2 per cent for 2010. This out-turn was largely

attributed to the adverse impact of the various challenges experienced during the year, however, it represents a deceleration in the rate of decline compared with the 3.0 per cent recorded in 2009. Both the Goods-Producing and the Service Industries recorded declines of 1.7 per cent and 1.5 per cent, respectively.

The **rate of inflation** for 2010 was 11.7 per cent, largely reflecting higher food prices associated with drought conditions in the first quarter as well as the passage Tropical Storm Nicole.

The **employed labour force** declined by 2.7 per cent to an average of 1 094 925 persons, with males continuing to represent the majority at 56.9 per cent. This resulted in an increase in the **unemployment rate** by 1.0 percentage point to 12.4 per cent. This outturn was attributed to the contraction in economic activities.

Despite the challenges which were reflected in the overall negative out-turn of several economic indicators related to production and prices, there were signs of improvements in other indicators and progress was made in the implementation of policies and programmes aimed at ensuring greater stabilization and sustained progress going forward.

Notably, there was progress in the implementation of the country's first long-term strategic plan, *Vision 2030 Jamaica - National Development Plan (Vision 2030 Jamaica)*; and the *Medium Term Socio-Economic Policy Framework (MTF) 2009-2012* (which identifies the intermediate steps towards the realization of *Vision 2030 Jamaica*) which were tabled in Parliament during the 2009/2010 Budget Debate, continued during 2010. Major activities included: (a) mainstreaming of *Vision 2030 Jamaica* in the public sector; (b) progress towards establishment of a robust Monitoring and Evaluation System and an institutional framework for *Vision 2030 Jamaica*; and communication and advocacy for *Vision 2030 Jamaica*.

In 2010 new **Official Development Assistance (ODA)** by multilateral and bilateral partners amounted to US\$1.1 billion (\$98.2 billion), a decline of 4.7 per cent. ODA assistance continued to support Jamaica's development priorities outlined in the Medium Term Economic Framework geared at maintaining macroeconomic stability, promoting social well-being, and fostering an enabling environment for private sector development.

Central Government operations between April and December 2010 generated a **fiscal deficit** of \$56.0 billion,

<sup>1</sup> UN ECLAC Report on the Macro Socio-Economic Effects of the Events in Western Kingston Area

which was \$8.2 billion lower than budgeted. This was due to the net effect of lower than planned Expenditure of \$12.3 billion and lower than budgeted Revenue & Grants of \$4.0 billion.

The **Current Account deficit** amounted to US\$991.5 million, representing an improvement of US\$136.0 million. All sub-accounts with the exception of the Goods sub-account improved. The Goods sub-account deteriorated by US\$171.1 million to US\$3 259.0 million, reflecting a US\$153.8 million increase in imports and a US\$17.4 million decline in exports. Total **remittance inflows** amounted to US\$1 906.2 million, an increase of 6.5 per cent. The **Gross International Reserves** at the end of the year was US\$2 979.17 million or 23.2 weeks of goods and services imports and was buffered by increased flows from the IMF, the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB) and grant funding from the European Union (EU).

The **Education and Training** sectors continued to focus on creating access, improving student and teacher performance, and enhancing school management. Approximately 2 520 school spaces were created at primary schools as well as an expansion of access at the tertiary level through the development of satellite campuses and the establishment of online programmes and weekend colleges. Other initiatives to improve student and teacher performance and to achieve universal literacy were implemented.

**Social welfare** programmes were expanded to better address the needs of the more economically vulnerable groups particularly as a result of the impact of the global economic recession on the poor and vulnerable in society. The development of policies to protect children and adolescents was also given priority during the year.

## VISION 2030 JAMAICA – NATIONAL DEVELOPMENT PLAN

The country's first long-term strategic plan, *Vision 2030 Jamaica - National Development Plan*, entered its second year of implementation during 2010. The Plan, which sets out the country's national vision statement: "*Jamaica, the place of choice to live, work, raise families, and do business*", provides a comprehensive framework in which the economic, social, environmental and governance aspects of national development are integrated, and is expected to put Jamaica in a position to achieve developed country status by 2030. The first **Medium Term Socio-Economic Policy Framework (MTF)** which covers the three- year period FY2009/10 – 2011/12 outlines realistic, specific, high priority national outcomes and targets towards the longer-term goals contained in the Plan. The National Development Plan represents an integration of 29 sector plans prepared by the Task Forces that were in operation from 2007 to 2009. The development of these strategic documents was based on two and a half years of planning, consultations and preparation led by the Planning Institute of Jamaica (PIOJ) and included broad-based participation from all sectors of society —government, private sector, community based organizations, academia, individual citizens of Jamaica and the international development community.

During 2010 progress continued in the implementation of the Plan, including:

### Mainstreaming of Vision 2030 Jamaica in the Public Sector

In keeping with the Cabinet Decision 20/09 which directed Ministries, Departments and Agencies (MDAs) to align their

corporate and operational plans with *Vision 2030 Jamaica* and the MTF, the PIOJ as the National Focal Point for *Vision 2030 Jamaica* has carried out ongoing meetings with MDAs to facilitate the mainstreaming of the Plan in the public sector. These consultations have resulted in:

- alignment of the corporate and operational plans of MDAs with *Vision 2030 Jamaica* and the MTF
- alignment of key national policies and strategies with *Vision 2030 Jamaica* including Jamaica's National Energy Policy 2009-2030 and the National Export Strategy
- the revision and finalisation of performance indicators and targets for key MDAs including the ministries of National Security, Justice, Education, Energy and Mining, Health, and Labour and Social Security
- preliminary assessment of the capacity to provide information and data/statistics for monitoring of implementation progress and tracking of indicators
- progress toward agreement on coordination and reporting requirements.

Key advances in the institutionalization of *Vision 2030 Jamaica* were achieved during 2010. These included:

The new Strategic Business Plan templates being introduced by the Cabinet Office in FY 2011/12 for eight pilot ministries under the phased establishment of the Performance Monitoring and Evaluation System (PMES) in the public sector that require the explicit alignment of the three year plans and budgets for each pilot ministry with the goals and outcomes of *Vision 2030 Jamaica* (see also below).

The PIOJ has worked closely with the Public Sector Transformation Unit (PSTU) and the Cabinet Office in developing frameworks for the alignment with *Vision 2030 Jamaica* of the plans and budgets of twelve (12) public sector agencies slated for devolution in FY 2011/12. These alignment frameworks also will serve as templates for future devolutions of public sector agencies.

### Establishment of a robust Monitoring and Evaluation System and institutional framework for Vision 2030 Jamaica

The *Vision 2030 Jamaica* monitoring and evaluation framework is being built on existing systems and processes within the public sector. The PIOJ continues to participate in high-level meetings among key agencies including the Office of the Prime Minister (OPM), the Cabinet Office and the Ministry of Finance and the Public Service (MFPS) to ensure the integration of *Vision 2030 Jamaica* with proposed and existing national and sectoral processes and mechanisms for planning, budgeting, monitoring and evaluation in the public sector. A joint committee with representatives from the Cabinet Office, MFPS, PIOJ, Auditor General's Department and the Ministry of Transport and Works was established in October 2010 to coordinate the introduction of the Performance Monitoring and Evaluation System (PMES) in the public sector and the new Medium Term Expenditure Framework (MTEF) being introduced in six pilot ministries in FY 2011/2012 to provide a rolling three-year budget for the public sector. The criteria

for selection of capital projects under the Jamaica Public Investment Prioritization System which were finalized in 2010 are explicitly aligned with the priority national outcomes of Vision 2030 Jamaica and the MTF, and have been applied in the preparation of the fiscal budgets of the six pilot ministries of the MTEF for FY 2011/12.

The overall expected outcome is an integrated national framework for monitoring and evaluation which is fully aligned to *Vision 2030 Jamaica*, and which is consistent with current public sector transformation efforts and the Government's commitment to Results-Based Management (RBM) as articulated in the Medium Term Action Plan (MTAP).

The PIOJ continued to facilitate the establishment and operation of Thematic Working Groups (TWGs), whose membership is drawn from the public and private sectors, civil society and International Development Partners as part of the monitoring and evaluation framework for each of the main sectors and outcome areas under *Vision 2030 Jamaica*. Approximately 18 TWGs will be established and each will meet at least once per quarter. TWGs provide a dynamic mechanism to plan, implement, monitor, and evaluate strategic priorities and actions; track indicator progress; identify and mobilize resources for the sector or thematic area; promote new policies and projects; and share information, knowledge and expertise.

The development of the monitoring and evaluation framework received support from two study tours to Jamaica – one by a team from Trinidad and Tobago in April 2010, including representatives from the Trinidad and Tobago Vision 2020 Programme Management Office (PMO), and the other by the Institute of Applied Economic Research (IPEA) from Brazil in June 2010. The tours focused primarily on sharing relevant experiences, challenges and best practices as well as exploring opportunities for further collaboration between Jamaica and these countries. Follow-up training in Results-Based Management (RBM) for key public sector staff is planned for FY 2011/2012.

A National Dashboard of Indicators was developed and introduced to track progress towards achievement of the national goals of *Vision 2030 Jamaica* as a holistic and integrated measure of national development and social well-being. The following eight areas of measurement are now reported on by the PIOJ on a quarterly basis as an integral part of its Quarterly Press Briefings on Economic Performance:

1. Health Status
2. Education Status
3. Labour Force Quality
4. Security Status
5. Justice Status
6. Economic Growth
7. Employment
8. Environmental Stewardship Status

### Communication and Advocacy

A range of activities was undertaken to support the communication and advocacy programme for *Vision 2030 Jamaica*. These include media publicity, preparation of promotional documents such as brochures, and the production and electronic distribution of the quarterly newsletter – *Vision 2030 Jamaica Update*. The communications strategy also focuses on

partnering with various organizations to infuse *Vision 2030 Jamaica* into various events and activities related to national development – for example, the Ministry of Education, Social Development Commission (SDC), Jamaica Cultural Development Commission (JCDC) and National Transformation Unit, OPM to create greater understanding and buy-in of *Vision 2030 Jamaica*. The PIOJ also was a key partner with the Department of Local Government in their island-wide consultations and visioning for the development of parish development plans during February-March 2010. The main activities included:

- preparation and printing of 37 000 copies of the *Vision 2030 Jamaica, Popular Version* for distribution to a wide cross-section of stakeholders throughout Jamaica and overseas, and official launch of the document by the Prime Minister on October 8, 2010 in Montego Bay. The launch followed by an extensive distribution programme, including distribution of 10 000 copies to the Ministry of Education for use in the Citizenship Education Programme in schools, distribution of over 500 copies to the Jamaica Independent Schools' Association, and distribution of 500 copies to the Jamaica Library Service to be available in public libraries, book mobiles, as well as libraries in prisons and public hospitals islandwide.
- collaboration with the Social Development Commission (SDC) in hosting a series of 16 Trainer of Trainers' Workshops in every parish islandwide over the period November 2010 – February 2011 to train SDC staff and community group leaders in using the Popular Version to apply the Plan to development planning at the parish and community levels.

Other activities completed during the period to support the communication programme for Vision 2030 Jamaica included:

- the distribution of 2 105 copies of the Plan, 976 copies of MTF 2009-2012, and 1,043 CDs containing the Plan and MTF, as well as copies of various Sector Plans to key stakeholders, including the Governor General and immediate past Governor General, Prime Minister, parliamentarians, Opposition Leader and members of the Shadow Cabinet, two former Prime Ministers, Ministries, Departments and Agencies, private sector entities, schools, libraries and civil society groups
- ongoing maintenance and development of the Vision 2030 Jamaica Website – [www.vision2030.gov.jm](http://www.vision2030.gov.jm) – which features news and activities, resources and publications related to the Plan
- planning with JCDC to incorporate *Vision 2030 Jamaica* into the activities of Jamaica Festival 2011 and 2012, including presentations to the 2011 regional Performing Arts planning workshops in November-December 2010, and a proposal by the PIOJ for trophy and cash awards for presentations in various categories of the performing arts, Festival Queen and Festival Song Contests, that best exemplify *Vision 2030 Jamaica* at the parish and national levels.

## INTERNATIONAL ECONOMY

The global economy grew by 5.0 per cent during 2010, reflecting recovery from the 2008/2009 global financial and economic crisis. Growth was pushed mainly by the 7.1 per cent increase in real gross domestic product of Emerging Market & Developing Countries, led by China. Output of Advanced Countries grew by 3.0 per cent. Global trade and investment levels expanded by 12.0 per cent and 0.7 per cent to US\$18.3 trillion and US\$1.12 trillion, respectively. The rate of improvement, was however, stymied by the decline in government incentives and the Euro zone financial crisis and the threat of contagion to other countries.

Global prices increased reflecting higher food, energy and transportation costs. Inflation in Advanced Economies averaged 1.4 per cent, while for Emerging & Developing Countries there was a 6.2 per cent increase in inflation. Contributing to this out-turn was the movement in commodity prices which rebounded, due in part to increased demand and financial leveraging, weather-induced shocks, lower inventories and trade restrictions.

The WTO continued efforts to settle unresolved issues related to the Doha Development Round. Caribbean trade policy continued to focus on the implementation of the ACP/EU Economic Partnership Agreement with the joint establishment of committees to monitor the implementation of commitments under the Agreement. Work also continued on preparations for the establishment of a free trade area between CARICOM and Canada.

## OFFICIAL DEVELOPMENT ASSISTANCE

Multilateral and bilateral partners, through Official Development Assistance (ODA), continued to support Jamaica's development priorities as outlined in the 2009 – 2012 Medium Term Socio-Economic Policy Framework. The assistance was critical in maintaining macroeconomic stability, promoting social well-being, and fostering an enabling environment for private sector development. New ODA in 2010 was US\$1.1 billion (\$98.2 billion), a decrease of 4.7 per cent relative to 2009, and reflected the net effect of variations in the levels of commitments among the International Development Partners (IDPs). Newly approved projects and programmes by Multilateral Financial Institutions (MFIs) and Multilateral Technical Cooperation agencies increased by 50.2 per cent and 30.2 per cent, respectively, while new approvals from bilateral sources decreased by 63.3 per cent.

New ODA was directed primarily at the Administrative sector which accounted for US\$858.0 million (\$75.0 billion), much of which was utilized to support the Government's budgetary requirements. The Economic Infrastructure, Social Infrastructure and Directly Productive sectors accounted for US\$163.7 million (\$14.3 billion), US\$77.0 million (\$6.7 billion) and US\$24.7 million (\$2.2 billion), respectively. Seventy-six per cent of new ODA was approved as budget support, the conditionalities of which were generally aligned with the government's policies. Key elements of the government's reform agenda were supported as it relates to education transformation, national security, justice, competitiveness, and fiscal management, including fiscal responsibility, debt management and tax reform.

Total ODA disbursements increased by 155.8 per cent to US\$1.3 billion (\$110.7 billion) compared with 2009. Loan disbursements were US\$1.1 billion (\$96.1 billion) reflecting a 221.0 per cent increase, while grant disbursements were US\$167.7 million (\$14.7 billion) representing a 9.7 per cent

increase. The increase in loan disbursements was mainly due to the release of the six policy-based loans by the Inter-American Development Bank (IDB), a development policy loan from the World Bank and a policy-based loan from the Caribbean Development Bank.

Net flows between Jamaica and its three major development financing agencies was US\$755.8 million (\$66.0 billion), an increase of 448.0 per cent compared with 2009. Total repayment of principal, interest and other charges decreased by 19.8 per cent to US\$155.7 million (\$13.6 billion), while disbursements to ongoing projects and programmes totalled US\$911.5 million (\$79.6 billion), an increase of 174.0 per cent compared with 2009. The conclusion of a Stand-By Arrangement (SBA) with the International Monetary Fund in February facilitated approvals of new budget support resources from MFIs. The IDB and the World Bank, in particular, had delayed committing new resources for budget support in 2009 pending the conclusion of negotiations for the SBA.

## SUSTAINABLE DEVELOPMENT & SCIENCE, TECHNOLOGY AND INNOVATION

### SUSTAINABLE DEVELOPMENT

The sustainable development (SD) landscape was characterized by progress in key sectors. The country benefitted from the implementation of activities to strengthen disaster risk reduction and climate change resilience. Chief among these was the development of disaster management plans and community hazard maps for 56 communities. In the area of climate change adaptation, activities included the development of a number of projects, namely: the financing proposal to access resources for the Pilot Program for Climate Resilience (PPCR); and the Climate Change Adaptation and Disaster Risk Reduction Project. Another boost to climate change adaptation efforts came with the accreditation of the PIOJ as a National Implementing Entity of the Adaption Fund Board.

Improvement in land management and the development approvals process was facilitated through the implementation of Phase II of the web-based Application Management Data Automation (AMANDA) system to track development applications; roll-out of Phase II of the Land Administration and Management Project (LAMP); and establishment of a Development Assistance Centre (DAC) within the National Environment and Planning Agency (NEPA).

Activities to safeguard the island's ecosystems and natural resources were highlighted by assessments of mangrove forest over the period 2005 – 2010, the results of which recorded declines in mangrove forest cover in four of the six parishes assessed. Other activities of significance included reforestation efforts, with the planting of 197.8 hectares of forests; monitoring of 22 coral reef sites; modelling of an aquifer vulnerability map of the island; and an assessment of water resources of the Alluvial Aquifer of the Yallahs River Watershed Management Unit.

The island suffered significantly from the impact of both natural and man-made disasters which led to losses in lives and property. Rains from Tropical Depression No. 16 and Tropical Storm Nicole caused damage and losses island wide with Hanover, Clarendon, Kingston and St. Andrew, Westmoreland, St. Catherine and St. Elizabeth experiencing

the most severe impact. The event resulted in the death of 16 persons and significant damage and losses. In terms of man-made disasters, the May 22 – June 7 events in Western Kingston resulted in the loss of 76 lives. Overall, there were 10 262 genuine fire calls island-wide which directly impacted 1 970 persons - 46 deaths, 73 injured, and 1 851 rendered homeless.

The growth in application of Geographic Information Systems (GIS) continued as evidenced by the increased use of internet-based GIS applications to support business processes of both government and private sector organizations and to facilitate access to critical spatial data by the general public.

## SCIENCE, TECHNOLOGY AND INNOVATION

Jamaica maintained its drive towards developing a technology enabled society by the ongoing building of capacity in science, technology and innovation (STI) in line with *Vision 2030 Jamaica - National Development Plan*. The continued expansion of the Information and Communications Technology (ICT) infrastructure facilitated advancement in E-services in the public and private sectors and the introduction of Fourth Generation wireless technology across the telecommunications market. As at June 2010, Jamaica's teledensity was 126.9/100 population which reflected the continued improvement of the ICT infrastructure. The high teledensity was largely attributed to the high mobile penetration rate which rose to 116.2 per cent between December 2009 and June 2010.

Initiatives to diversify the energy base, develop renewable energy, and improve energy efficiency and conservation were sustained with the expansion of the Wigton Windfarm by 18 MW to a total of 38.7 MW, and the commissioning of a four MW windfarm at Munro, St. Elizabeth. In addition, strengthening of the policy framework for energy efficiency and diversification progressed with the completion of the drafts of five sub-policies.

In order to improve the quality of Jamaican products and promote environmental compliance, 14 international standards from the International Organization for Standardization (ISO) 14000 series<sup>2</sup> of environmental standards were adopted and two national standards were promulgated. In addition, 17 Caribbean Community (CARICOM) standards were adopted. Also, 22 local companies were certified 9001:2008<sup>3</sup> and 13 were granted ISO 14001:2004 certification.

The country also made strides in increasing the number of students exposed to science-related disciplines as well as in expanding and diversifying some undergraduate and graduate STI programmes offered at the tertiary level. The use of research and development (R&D) to enhance crop and livestock production, improve health and ensure quality and safety of food was sustained.

## THE ECONOMY

### MACROECONOMIC POLICIES AND PERFORMANCE

During 2010 Jamaica's medium term economic policy framework was guided by several conditionalities established under a 27-month Stand-By Arrangement (SBA) with the International Monetary Fund (IMF). An initial step towards this SBA entailed the completion of three prior actions performance criteria which were:

- the implementation of a tax policy package by December 2009 aimed at yielding revenue amounting to approximately 2.0 per cent of GDP.
- the implementation of a debt exchange programme by January 2010. On January 14, 2010 the Jamaica Debt Exchange (JDX) Programme was launched. The JDX involved a voluntary exchange of existing domestic bonds<sup>4</sup> for new bonds of the same principal value, but which have lower interest rates and longer maturities. The \$700 million JDX programme is expected to yield interest savings to the Government of Jamaica of up to \$40.0 billion.

The initiation of plans for the divestment or liquidation of the national airline, Air Jamaica.

As a result of the successful completion of these prior actions<sup>5</sup>, the Board of Governors of the IMF approved Jamaica's application on February 4, 2010. The SBA entails meeting quarterly performance targets which are linked to disbursements of quarterly tranches by the IMF.

The targets for FY 2010/11 were:

- a reduction in the fiscal deficit to a projected 6.5 per cent of GDP
- economic growth of 0.5 per cent
- inflation between the range of 7.5 per cent and 9.5 per cent;
- a reduction in the interest bill
- narrowing of the current account deficit to approximately 9.0 per cent in FY 2010/11
- gross foreign reserves equivalent to 16 weeks of goods and services.

The Letter of Intent to the IMF was accompanied by a Memorandum of Economic and Financial Policies (MEFP). The MEFP outlined the macroeconomic and structural policies and programmes the government intended to undertake in addressing the economic problems of the country. The IMF programme would be monitored on a quarterly basis through quantitative performance criteria, indicative targets and structural benchmarks.

2 A number of standards were developed by the International Organization for Standardization (ISO) to help organizations and companies comply with environmental standards.

3 International standard that is aimed at helping organizations produce high quality products satisfactorily to consumers.

4 Excluding Treasury Bills

5 The JDX programme had a 99.2 per cent success rate for eligible securities.

Disbursements would be dependent on the achievement of stated quantitative targets and progress made on key structural reforms. As a consequence, the macroeconomic policy framework of the Government of Jamaica (GOJ) was guided by the MEFP. The main objectives of the GOJ's MEFP for FY2009/10 – FY2013/14 were:

- a debt management strategy that will reduce the debt servicing costs
- the development of a fiscal consolidation strategy aimed at streamlining expenditure and reforming the public sector, including the divestment of some non-core public bodies
- reforms of the financial sector in an effort to reduce risks.

### Macroeconomic Performance

The macroeconomic conditions which prevailed during 2010 were challenging, largely reflecting the lingering effects of the global economic recession. Macroeconomic performance was also negatively impacted by:

- drought conditions which impacted some industries in the first half of the year
- reduced operations at Air Jamaica prior to the airline's sale to Caribbean Airlines
- negative impact of the JDX Programme on net interest income of financial institutions
- The Event in Western Kingston and subsequent security operations in sections of St. Catherine and Clarendon during May and June
- Tropical Depression No. 16 and rains associated with Tropical Storm Nicole in September.

The Jamaican economy contracted by an estimated 1.2 per cent in 2010, with the total value of Goods & Services produced, amounting to \$484 577.8 million. Both the Goods-producing and Services Industries declined by 1.7 per cent and 1.5 per cent, respectively. Jamaica's trade deficit with the rest of the world amounted to US\$3 866.4 million, representing a deterioration of US\$128.1 million. This was due to an increase in imports of US\$136.4 million which outweighed the US\$8.9 million increase in exports. Total imports were valued at US\$5 194.6 million, with mineral fuel imports amounting to US\$1 584.7 million or 30.5 per cent. Merchandise exports were valued at US\$1 328.2 million of which Crude material (mainly Bauxite & Alumina) amounted to US\$555.7 million or 41.8 per cent. The exchange rate at the end of December 2010 was \$85.86 per US\$1.00 compared with \$89.60 per US\$1.00 in 2009. This represented a nominal appreciation of 4.2 per cent. Total remittance inflows amounted to US\$1 906.2 million, an increase of US\$115.9 million compared with 2009.

The successful implementation of the JDX programme resulted in a decline in interest rates as the overall weighted average monthly loan rate at Commercial Banks at the end of the year was 20.43 per cent, down 3.02 percentage points compared with 2009. The point-to-point inflation was 11.7 per cent, largely reflecting the impact of global and domestic impetus. The higher

international grains and oil prices resulted in increased domestic food and fuel prices. Domestic influences included:

- a new tax package implemented on January 1, 2010, which resulted in a 1.0 percentage point increase in the GCT rate as well as the application of a 10 per cent GCT charged to residential users with electricity consumption above 200 kilowatt hours per month
- increased bus and taxi fare
- the impact of weather-related shocks on food prices.

For the period April-December 2010, the Central Government generated a deficit of \$56.0 billion, which was \$8.2 billion less than programmed. This was due to less than programmed revenue of \$4.0 billion and less than programmed expenditure of \$12.3 billion.

## SECTORAL PERFORMANCE

### GOODS PRODUCING INDUSTRIES

#### Agriculture

The Agriculture, Forestry & Fishing industry reported real GDP growth of 0.8 per cent, due largely to increased output in Other Agricultural Crops and Traditional Export Crops. Growth in these categories was spurred by continued efforts by the government in implementing strategies to improve competitiveness and strengthen the resilience of the industry. These included:

- water conservation and improved irrigation efficiencies to reduce the effects of the drought
- planting in areas served by irrigation schemes
- increased use of protective cultivation (greenhouse)
- employing best practice methodologies and programmes under the Ministry of Agriculture's Production and Productivity Enhancement Programme. This programme offered farmers increased support in the areas of marketing, irrigation and extension services.

However, the performance of the industry was tempered by drought conditions which prevailed in the first half of the year as well as by Tropical Depression No. 16 and rains associated with Tropical Storm Nicole in September 2010. Tropical Storm Nicole caused damage estimated at \$576.5 million<sup>6</sup> to crops and livestock production.

#### Mining and Quarrying

Real value added for the Mining and Quarrying industry declined by 3.4 per cent. This was due to a 10.3 per cent decline in alumina production which outweighed a 35.0 per cent increase in crude bauxite production. In response to the improvement in global economy demand for alumina and crude bauxite the WINDALCO's Ewarton Plant reopened in

<sup>6</sup> Ministry of Agriculture & Fisheries estimate

June 2010. This, coupled with increased crude bauxite production by Noranda Bauxite Company resulted in increased output by the industry during the second quarter of 2010. This was however outweighed by a 40.7 per cent decline recorded during the first quarter of 2010. Additionally, performance during the last three quarters was spurred by the recovery of the Industrial Minerals Sector which exported increased volumes of limestone, cement, gypsum and pozzolan. Export earnings for bauxite and alumina totalled US\$533.4 million for the calendar year, an increase of 14.3 per cent relative to 2009.

### Manufacture

The Manufacture industry contracted by an estimated 2.6 per cent as the industry was affected by several demand-side and supply-side challenges. The demand-side challenges were attributed to relatively weak consumer demand for locally manufactured goods associated with the global economic recession, especially during the first half of the year. However, as more economies began to recover from the global economic recession during the last six months of 2010, international demand for some locally manufactured commodities strengthened.

The supply-side challenges involved various disruptions to manufacturing operations which included:

- the Event in Western Kingston and sections of St. Catherine and Clarendon. During the months of May and June, this development resulted in lost production time due to plant closure
- the temporary closure by some manufacturing operations to facilitate plant maintenance and upgrade,
- adverse weather conditions. Periods of heavy rainfall and adverse weather conditions associated with Tropical Storm Nicole in September 2010 affected some manufacturing operations.

The value of total manufactured exports declined by 8.3 per cent, reflecting lower earnings from both Traditional (down 21.1 per cent) and Non-Traditional Manufactured Exports (down 5.6 per cent). This was consistent with the contraction in production and external demand for locally manufactured goods.

### Construction

Real value added for the Construction industry fell by an estimated 2.2 per cent due largely to the lingering effects of the global economic crisis on the domestic economy. The performance was attributed mainly to a contraction in activities for the Building Construction and Building Installation categories. However, increased output was recorded for the Civil engineering category which benefited from construction of the Falmouth Cruise Pier and increased expenditure in response to emergency work after the passage of Tropical Depression No. 16 and rains associated with Tropical Storm Nicole.

The downturn in the industry impacted the quantities of some inputs used in the production process, including labour and cement. The average number of persons employed in the industry amounted to 89 600 persons, a decline of 6.7 per cent or 6 400 persons. This industry recorded the largest absolute decline in employed labour force compared with all other industries. The supply of cement to the domestic market fell by 8.8 per cent to 725 764 tonnes. This resulted from the combined effect of a 1.8 per cent decline in cement production to 723 489 tonnes, a 25.4 per cent increase in cement imports to 197 437 tonnes and a 121.3 per cent increase in cement exports to 195 162 tonnes.

## SERVICES INDUSTRIES

### Energy, Electricity and Water

The Electricity & Water Supply industry recorded a 4.3 per cent decline in real value added, a reversal compared with the 2.2 per cent growth realized in 2009. The decline in 2010 emanated from reductions in both electricity generation and water production. Total electricity generation fell by 1.8 per cent to 4 137.4 GWh, reflecting contraction in output from both Jamaica Public Service Company (JPSCo) and non-JPSCo sources. The lower generation was linked to the reduced demand associated with the global economic recession and the rainy and cold weather conditions that prevailed in the latter part of the year. This performance, however, must be viewed against the background of record peak demand on 2009, which resulted in record levels of generation from both JPSCo and non-JPSCo sources. Total electricity sale for 2010 increased marginally (0.1 per cent) to 3 235 GWh, also reflecting the low demand. All categories recorded higher sales, with the exception of Power Service. Despite the marginal increase in sales, JPSCo revenue rose by 15.1 per cent to \$82.3 billion, reflecting increases in both the fuel and non-fuel revenue.

Approximately 285 093.1 megalitres of water was produced by the National Water Commission (NWC) compared with 299 285.0 megalitres in 2009. Islandwide consumption increased by 5.6 per cent to 97 882.8 megalitres. Of the total production, approximately 65.7 per cent was Non-Revenue Water (NRW), recording a decline of 9.4 per cent. Reflecting the higher K-factor, the NWC revenue increased by 2.4 per cent to \$15 360.5 million.

### Transport, Storage and Communication

Real value added for the Transportation, Storage and Communication industry fell by 2.3 per cent relative to 2009. This stemmed from reductions in both segments of the industry. The decline in air transport activities associated with the global economic recession and the Air Jamaica transition contributed to the fallout in the Transport & Storage segment, while the decline in the Communication sub-industry was linked to a contraction in the telecommunications component. These declines were tempered by the improved activities at the island's sea-ports.

Some of the indicators recording declines in the industry were passenger movement, down 1.0 per cent to 4 785 456 and the number of fixed lines, fell by 4.4 per cent to 3 635. Growth was reported for:

- the volume of domestic cargo handled, which increased to 15 343 million tonnes from 14 503 million tonnes
- the number of ship calls, increasing by 7.0 per cent to 3 635
- the number of mobile subscribers, up 6.2 per cent to approximately 3.1 million.

The increase in the number of mobile customers pushed the teledensity to 126.9/100 persons compared with 119/100 persons in 2009. However, the commensurate growth in real value added was not realized as increased competition resulted in an intensification of giveaways, and stymied subscriber expenditure.

A number of policy related activities were pursued in the area of transport during the year. These were associated with the *Multi-modal Transport Concept*, the *Road Maintenance Master Plan*, the *Single Road Authority* and the *Drainage Master Plan*. There was increased capital expenditure by the Ministry of Transport & Works and the National Works Agency, amounting to approximately \$5.5 billion and \$5.1 billion, respectively. This expenditure was used to facilitate work on the Northern Jamaica Development Programme; traffic management; the purchase of goods and services for the Flood Damage and Rehabilitation programme; and the repair and maintenance of existing roads. Work on Highway 2000 was facilitated by the National Road Construction Company (NROCC), whose expenditure declined 71.4 per cent to \$803.1 million, as the Highway was 85.0 per cent near completion.

### Tourism

Real value added for the Hotels & Restaurants<sup>7</sup> industry grew by an estimated 3.4 per cent. This was due primarily to increased stopover arrivals and visitor expenditure. Total visitor arrivals grew by 2.8 per cent to 2 831 297, reflecting increased stopover arrivals as cruise passenger arrivals declined. Stopover visitors increased by 4.9 per cent to 1 921 678 due largely to marketing efforts as well as increased air seats, particularly from the USA market. Increased stopover arrivals were recorded in all months, except for May and June. The decline was attributed to the Events in Western Kingston and the subsequent travel advisories issued by Jamaica's main source markets.

The Foreign Nationals<sup>8</sup> category grew by 5.0 per cent to 1 768 810 while the Non-Resident Jamaican category increased by 3.8 per cent to 152 868. The average length of stay for Foreign Nationals was 9.0 nights compared with 9.2 nights in 2009. For Non-Resident Jamaicans, the average length of stay was 16.4 nights compared with 16.5 nights in 2009.

Total provisional visitor expenditure was US\$1 992.0 million, an increase of 3.5 per cent. Total stopover expenditure amounted to US\$1 915.0 million compared with US\$1 847.7 million during 2009, consistent with increased stopover arrivals. Total cruise expenditure decreased marginally by 0.9 per cent to US\$77.0 million. The average annual employment in Hotels and Restaurants was 74 400 persons compared with 78 850 persons during 2009.

### Wholesale & Retail Trade

The WRTRIM industry declined by 2.0 per cent and accounted for 18.9 per cent of overall GDP. The lower value added was a result of contractions in domestic demand, associated with the prolonged effects of the global economic recession on the Jamaican economy. There was a decline in purchasing power associated with decreased average employment levels, a real decline in remittance inflows and a real reduction in the stock of loans and advances for private consumption. The decline in demand was evidenced by:

- a reduction in gross sales
- a fall in the volume and value of ABM & POS transactions.

<sup>7</sup> This category captures most of tourism's direct contribution to real value added.

<sup>8</sup> This category consistently accounts for approximately 92.0 per cent of total stopover visitors.

Additionally, distributors encountered higher operational costs and taxes. The contraction of the industry was stymied by an increase in merchandise goods imports.

## THE SOCIAL SECTOR

### DEMOGRAPHICS AND THE LABOUR MARKET

#### Population

The population at the end of 2010 was estimated at 2 705 800 with a growth rate of 0.3 per cent. The rate of natural increase was 9.4 per 1 000 with estimated births and deaths at 41 600 and 16 100, respectively, and net external movements at 18 500. Migration continued to impact the population growth and structure; as well as other social and economic factors. The majority of migrants from Jamaica went to the USA.

Jamaica is currently at an intermediate stage of the demographic transition. This is evident in the demographic ageing of the population (decreasing birth rates and relatively low death rates). The effects of the ageing population structure are apparent in the declining 0-14 age group; and the increasing working age, 15-64, and dependent elderly (65+) age groups.

Concerted efforts were made to integrate population factors into development, monitoring and evaluation of policies, plans and programmes. This was evident in the Global Forum on Migration and Development; the work of the Vital Statistics Commission; the Jamaican Diaspora activities; the UNFPA Country Programme for Jamaica; and the 2010 Round of Population and Housing Census.

#### Labour Market

In 2010, the number of persons in the labour force fell by 1.6 per cent to 1 249 600. The labour force participation rate declined by 1.1 percentage points to 62.4 per cent. Both the male and female participation rates fell (by 1.4 percentage points and 0.9 percentage point, respectively). This resulted in a male participation rate of 70.4 per cent, and a female participation rate of 54.8 per cent.

The contraction in domestic economic activity had a negative impact on employment, as the employment rate increased by 1.0 percentage point to 12.4 per cent. The employed labour force declined by 2.7 per cent to 1 094 900, with males continuing to represent the majority at 56.9 per cent. The male employed labour force stood at 622 600, having decreased by 2.5 per cent (16 100 persons). The female employed labour force declined by 3.0 per cent (14 600 persons) to 472 300. The male unemployment rate was 9.2 per cent (an increase of 0.6 percentage point), while the female unemployment rate was 16.2 per cent (an increase of 1.4 percentage points). The youth (14-24 years) unemployment rate increased to 30.8 per cent from 27.1 per cent, while the adult (25 years and over) unemployment rate averaged 9.7 per cent compared with 8.9 per cent for 2009. Employment in the Goods Producing Industry declined by 4.3 per cent to 389 300, while employment in the Services Industry declined by 1.9 per cent to 705 600. The Services

Industry, therefore, accounted for 64.4 per cent of total employment.

A total of 10 966 Jamaicans participated in the Government Overseas Employment Programme, an increase of 8.3 per cent compared with 2009. Total remittances from workers employed in the USA increased by 18.7 per cent to US\$7.3 million, while remittances from workers in the Canadian Farm and Factory Programme increased by 17.3 per cent to C\$14.0 million.

Approvals were granted for 3 395 work permits, a decline of 4.9 per cent compared with 2009. Professionals, Senior Officials and Technicians were the main beneficiaries of work permits (76.9 per cent).

There was no increase in the National Minimum Wage rates. The public sector wage freeze that came into effect in 2009 continued in 2010. The Public Sector Master Rationalization Plan was tabled as a Green Paper in Parliament in July.

## **HUMAN DEVELOPMENT, WELFARE AND CULTURE**

### **Education and Training**

During the academic year 2010, the major highlights in the education and training sectors were creating access, improving student and teacher performance, and enhancing school management. Other emphases included upgrading health and nutritional support to students and extending the school leaving age. Indicators of performance in education revealed improvements in the literacy status of the population.

Some 2 520 school spaces were created at primary schools in Hanover, Portland, Westmoreland and Manchester at the primary level, while at the secondary level, spaces were created in Clarendon, St. Andrew and St. Ann. There was expansion of access at the tertiary level through the development of satellite campuses and the establishment of online programmes and weekend colleges at a number of institutions.

In its thrust to improve student and teacher performance, and to achieve universal literacy by 2015, the MOE introduced a Competency Based Transition Approach for students progressing from primary to the secondary level. The approach will provide opportunities for students to be certified as numerate and literate before taking the Grade Six Achievement Test (GSAT) examinations. There were improved student performances in the GSAT, the Caribbean Secondary Education Certificate (CSEC) Examination and the Caribbean Advanced Proficiency Examination (CAPE). In-service training was conducted to equip teachers to deliver school curricula and improve school effectiveness.

Developments in the training sector in the review period focused on redefining the HEART Trust/National Training Agency operated entities into Workforce Colleges and Technical Vocational and Education Training (TVET) Institutes and on incorporating training for 'at risk' and unattached youth.

An estimated 79.4 per cent (846 419 persons) of the school-age cohort (3–24 years old) were enrolled for the 2009/10 academic year. The primary level accounted for 34.8 per cent of the total. The gross enrolment rates at pre-primary, primary, secondary and tertiary were 99.6 per cent, 92.1 per cent, 94.5 per cent and 32.8 per cent, respectively. In training institutions, the number of persons trained in the Professional, Senior Officials and Technicians category was 13 244 (71.6 per cent female) while 48 097 persons (58.9 per cent female) were trained as "skilled and semi-skilled personnel".

## **Health**

During 2010 the government continued its focus on access and the levels of utilization within the sector. A decline was observed in visits to public health centres compared with 2009. Despite this, demand for services within the public health sector remained high, particularly, pharmacy services, with an increase in the number of pharmacy items dispensed at both public health centres and public hospitals.

Immunization coverage showed improvement and represented some of the highest coverage seen in the past five years. Immunization coverage has long been a cause for concern for the government and these results are due to increased investments made in that area during the year.

With increased international attention being placed on the Millennium Development Goals (MDGs), focus remained on issues dealing with maternal and child health, and HIV/AIDS. Environmental health and vector control activities were undertaken and were geared at addressing sanitation issues and specific vector borne and parasitic diseases.

The issues of staff shortage, remuneration and working conditions persisted during the year and the government continued to dialogue with various groups towards reaching an amicable settlement. There were also several initiatives by the government aimed at improving the overall infrastructure of some health facilities.

## **National Security and Justice**

There was a decline in all major crimes during the review period. The work of the Jamaica Constabulary Force (JCF) in fighting crime was enhanced by the provision of a number of key pieces of equipment, improvements in technology and other strategic operational improvements. Implementation of the JCF Strategic Review also continued and an Anti-Corruption Strategy was developed and community based policing implemented islandwide. The Jamaica Defence Force provided operational support which was critical during the Events in Western Kingston in May. Efforts to reduce crime and violence were further improved through a number of social intervention programmes which targeted the most volatile and vulnerable communities, at-risk youth, ex-offenders and incarcerated persons.

The National Crime Prevention and Community Safety Strategy, and the Jamaica Reducing Re-offending Action Plan were developed and implementation commenced. Plans also commenced on the merger of the Citizens' Security and Justice Programme (CSJP) and the Community Security Initiative (CSI). A new Traffic Ticket Management System was implemented in both the JCF and the Courts. Work was completed on the new JCF armoury and work began on a facility to house male youth offenders. A number of other infrastructure projects were undertaken including upgrading of the police training facility; constructing and refurbishing court facilities; and construction of training facilities for incarcerated persons.

Under the Justice Sector Reform Programme, a Criminal Case Management System that will assist in reducing the backlog of cases in the island's courts was piloted, a draft National Restorative Justice Policy was developed and four Restorative and Community Justice Centres launched.

Several pieces of legislation were enacted or amended during the year.

### **Social Development, Social Protection and Culture**

Social development continued to be critical to the country's progress over the year, with efforts advanced to maintain gains already made, and to reduce the potential negative impact of the global recession. In this regard, the social welfare programmes were expanded in size and budgetary allocations, in order to reach more economically vulnerable groups. There were also increases in the benefits under the National Insurance Scheme (NIS), the contributory social pension programme. Other important reforms to the Scheme, including a phased increase of the pensionable age for women and an increase of the insurable wage ceiling, were effected during the year. Policies to protect children and adolescents, preserve their rights and enhance their citizenship

and participation remained the focus of pertinent state organizations and non-state partners. Youth empowerment through human capital development was extended through various programmes and initiatives. Work continued on the drafting of a Disability Bill, a national instrument that when enacted will support the country's ratification of the United Nations Convention on the Rights of Persons with Disabilities. Combined efforts of government agencies, civil society groups and International Development Partners were the focus during the latter half of the year on defining a Community Renewal Programme, to address social, economic and environmental concerns in selected communities. Steps were also taken to address gender imbalances in the society through the finalization of a National Policy on Gender Equality, while advances were made in other policy and legislative areas.■