

OVERVIEW

INTRODUCTION

During 2009, Jamaica was adversely impacted by the global financial and economic crisis. The economy contracted throughout the year. Business activity reflected uncertainty about the form of the global economic recovery. Consumption remained dampened in relation to uncertainty about job prospects as well as declines in alternative income sources such as remittances. These contractions were reflected in increased unemployment levels, inflation rates, and numbers of property crimes.

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 were tabled in Parliament during the 2009/2010 Budget Debate. The *MTF* identifies the intermediate steps towards the realization of *Vision 2030 Jamaica*. A number of important steps were taken to establish an effective monitoring and evaluation system and to sustain an effective communication programme for the Plan. These included: (a) strategic consultations with Ministries, Departments and Agencies; (b) Rationalization of existing monitoring and evaluation processes; (c) capacity strengthening in Results Based Management (RBM); and (d) publicity and advocacy for *Vision 2030 Jamaica*.

The **global economy** registered the first decline in over five decades. Despite this, global economic activities were estimated to have grown during the second half of the year due largely to the implementation of effective monetary and fiscal policies. During the year, the **Economic Partnership Agreement (EPA)** between the European Commission (EC) and **Caribbean Forum (CARIFORUM)** was applied provisionally, as work continued towards finalizing the agreement. The Caribbean Community (CARICOM) was also involved in preparatory work and the first round of negotiations for the establishment of a **CARICOM-Canada Free Trade Agreement** in 2011. The World Trade Organization (WTO) granted approval for a waiver for the **Caribbean Basin Economic Recovery Act (CBERA)** which gives specific exports non-reciprocal duty free access to the United States until 2014.

Official Development Assistance (ODA) was important in minimizing the effects of the global financial crisis on Jamaica and ensuring acceptable levels of social expenditure. These funds were channelled to the Directly Productive and Economic Infrastructure sectors, and were largely due to loans from the Multilateral Financial Institutions (MFIs) and the People's Republic of China.

Jamaica continued to implement **Sustainable Development** programmes with the issue of climate change taking prominence during the year. The country was spared the onslaught of hurricanes and storms, but was negatively impacted by drought and fire. The country continued to implement energy conservation and efficiency methods the impact of which was

reflected in a decline in per capita consumption of energy. In addition, there was a move towards a more sustainable energy mix evidenced by greater focus on alternative energy.

The national drive towards becoming a technology enabled society and one which uses Science, Technology and Innovation as a catalyst for sustainable development was accelerated. This was reflected in the ongoing expansion of the Information and Communications Technology infrastructure and improvements in indices that measure readiness and connectivity.

The **Jamaican economy** operated in a challenging global and macroeconomic environment. The economy recorded a contraction in real Gross Domestic Product (GDP) of 2.7 per cent in 2009. The Goods-Producing and Services Industries contracted by 8.5 per cent and 0.6 per cent, respectively. The sectors recording growth were Agriculture, 12.1 per cent; Electricity and Water Supply, 2.2 per cent; Finance and Insurance, 0.8 per cent; and Hotels & Restaurants, 1.4 per cent.

The **fiscal deficit** amounted to \$96.3 billion, \$18.1 billion more than budgeted and was due to a shortfall in Revenue and Grants. The fiscal constraints associated with the economic downturn led to the implementation of a public sector wage freeze. The Government further established the Public Sector Transformation Unit to oversee the rationalization of the public sector.

The **rate of inflation** for 2009 was 10.2 per cent, reflecting interventions in the foreign exchange market and administrative price adjustments associated with the revenue enhancement measures. The **average foreign exchange rate** for the year was \$88.49 to US\$1, representing a nominal depreciation of 21.4 per cent.

The **population** grew by 0.2 per cent and was estimated at 2 698 800 at the end of 2009. Jamaica continues to experience the effects of an ageing population structure, with a declining 0–14 age group; and an increasing working age (15–64) and dependent elderly age group (65 and older age group). **Age Dependency Ratios** are therefore declining and will continue in this trend up to 2020.

The negative effects of the economic downturn were reflected in the **labour market**. The average unemployment rate was 11.4 per cent, an increase of 0.8 percentage point. Employment declines were reported in both the Services and the Goods Producing Industries. Both the male and female unemployment rates increased, to 8.6 per cent and 14.8 per cent, respectively. The **Minimum Wage** was increased by 10.0 per cent in May to reflect movements in the cost of living. Industrial disputes declined by 20.6 per cent during the year.

The major focus in **education and training** was on promoting access and quality. Emphasis was also placed on school attendance, behaviour management, and the implementation of accountability mechanisms within the sector. Measures were instituted at all levels of the Education system to improve the quality of teaching and to promote accountability and a culture of excellence. A **Competency Based Transition Approach** for students progressing from primary to the secondary level was introduced to certify their literacy and numeracy level.

The Government continued its initiative to improve access to public **health** facilities. There was also ongoing work intended to strengthen the monitoring role of the Ministry of Health through the Regional Health Authorities. Focus continued to be placed on mental health with the completion and integration of the **Mental Health Strategic Plan** in the regional work plans.

The Ministry of **National Security** and the Ministry of **Justice** followed-up on implementation of the critical strategies and actions of *Vision 2030 Jamaica*. This included: follow-up on the **Jamaica Constabulary Force Strategic Review**; preparation of an **Anti-Corruption Plan**; and the finalization of the **Community Based Policing Training Manual**. In addition, several pieces of legislation were enacted or amended during the year.

Social development remained a critical part of the Government's agenda and several projects and programmes were expanded or introduced throughout the year. Efforts were made to increase the number of clients on PATH. The **Steps –to – Work programme, the Food Price Crisis project and the GOJ/UNICEF Programme of Cooperation** were some of the programmes that were implemented during the year and were supported by the Government with the aid of overseas financing.

VISION 2030 JAMAICA – NATIONAL DEVELOPMENT PLAN

The country's first long-term strategic plan, *Vision 2030 Jamaica - National Development Plan* and the *Medium Term Socio-Economic Policy Framework (MTF) 2009-2012* were tabled in Parliament on May 5, 2009 by Prime Minister Honourable Bruce Golding during his contribution to the 2009/2010 Budget Debate. The development of these strategic documents was preceded by 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.

Vision 2030 Jamaica – National Development Plan provides a comprehensive framework in which the economic, social, environmental and governance aspects of national development are integrated. The Plan is expected to put Jamaica in a position to achieve developed country status by 2030 and is based on the vision: “*Jamaica, the place of choice to live, work, raise families, and do business*”. The first MTF which covers the period 2009 – 2012 outlines realistic, specific high priority national outcomes and targets which will move us towards the longer-term goals contained in the Plan. Additionally, the 29 sector plans developed during the planning process, provide opportunities for linkages to existing national and sectoral level planning, budgeting, prioritising and monitoring mechanisms and processes.

A distinguishing feature of *Vision 2030 Jamaica* is its focus on implementation and accountability. Past planning exercises were affected by several negative factors including an inadequate

monitoring and evaluation framework and weak synergies between targets, indicators and the budget. *Vision 2030 Jamaica* is anchored on a results-based management platform which sets targets and identifies performance indicators at the national and sectoral levels. These indicators will help to measure the effects of the strategies and actions being implemented in the medium and the long-term.

Since the tabling of the *Vision 2030 Jamaica* and the *MTF* in Parliament, the GOJ, through the PIOJ has embarked on a process to establish a robust performance monitoring and evaluation system and to sustain an effective communication programme for the Plan.

Strategic Consultations with MDAs

In keeping with Cabinet Decision 20/09 which directed all MDAs to align their corporate and operational plans with *Vision 2030 Jamaica* and the *MTF*; the PIOJ in its capacity as the National Focal Point for *Vision 2030 Jamaica* is collaborating with MDAs to develop the various components needed to ensure an effective monitoring and evaluation framework for implementation of the Plan. These consultations have resulted in:

- the alignment of the National Energy Policy, National Export Strategy and corporate plans of the ministries of Agriculture and Land, Water and Housing, Industry, Investment and Commerce and National Environmental Planning Agency with *Vision 2030 Jamaica* and *MTF*;
- the revision and finalisation of performance indicators and targets for key MDAs including the ministries of National Security, Justice, Health and the Environment and Labour and Social Security;
- assessment of the capacity to provide information and data/statistics for monitoring of implementation progress and tracking of indicators;
- agreement on coordination and reporting requirements; and
- commitment by MDAs to participate in or lead Thematic Working Groups (TWG)

Establishment of Thematic Working Groups (TWGs)

In December 2009, the inaugural meetings for two TWGs - National Security and Justice and Education and Training - were held. Thematic Working Groups (TWGs), with membership drawn from the public and private sectors, civil society and international development partners are being established as part of the monitoring and evaluation framework for *Vision 2030 Jamaica*. These TWGs provide a dynamic framework in which to plan, implement, monitor and evaluate strategic priorities and activities; track indicator progress; identify and mobilize resources for the sector or thematic area; promote new policies and projects; share information, knowledge and expertise; and ensure concerted and coordinated technical support towards national development. It is expected that 18 TWGs will be established and that each will meet at least once per quarter.

Rationalization of Processes

The *Vision 2030 Jamaica* monitoring and evaluation framework is building on existing systems and processes within the public sector. As such, several high level meetings and consultations took place with the Office of the Cabinet, Ministry of Finance and the Public Service, and the Office of the Prime Minister to discuss effective and coherent approaches to integrate other GOJ processes and mechanisms including the proposed Whole of Government Business Plan, the Medium Term Expenditure Framework, the Project Prioritization Mechanism, the National Planning and Summit and Partnership for Transformation Initiatives. The outcome of these discussions will be a harmonized framework for monitoring and evaluation and reporting at all levels within government which is consistent with the spirit and principles of the current public sector transformation efforts and the Government's commitment to RBM as articulated in the Medium Term Action Plan (MTAP).

Capacity Strengthening

Fifty-eight civil servants completed training in RBM, following two one-week training workshops hosted by the PIOJ in December 2009 through funding from the Commonwealth Secretariat and the Canadian International Development Agency (CIDA). The training provided guidance to key MDAs and the PIOJ in understanding and applying results-based management principles, tools and techniques towards implementation, monitoring and evaluation of the National Development Plan and other strategic planning frameworks.

Publicity and Advocacy

A draft Popular Version of *Vision 2030 Jamaica* has been prepared and is being reviewed. The preparation of this document is a critical element of the communication strategy for the Plan. The document is a simplified, reader friendly, 80 page version of the Plan targeted to schools, community based organizations, youth groups and the "man in the street".

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

- the distribution of 960 copies of the Plan, 904 copies of MTF 2009-2012, 593 CDs containing the Plan and MTF, and Sector Plans to Ministries, Departments and Agencies, private sector entities, schools, libraries and civil society groups by end of December;
- the development and publishing of the *Vision 2030 Jamaica* website in August 2009. This can be viewed at www.vision2030.gov.jm;
- the forging of an agreement with the Jamaica Information Service (JIS) and the Public Broadcasting Commission of Jamaica (PBCJ) to improve the visibility of the Plan in the media. Ongoing discussions have been held with various media houses on the Plan; and
- special presentations and consultations conducted island wide to sensitise a wider cross-section of the population about the Plan.

INTERNATIONAL ECONOMY

The global economy is estimated to have contracted by 0.8 per cent in 2009, the first decline on record in over five decades and is estimated to have been the worst economic performance since World War II. This contraction was attributed to the global economic recession which resulted in a stalling of the global financial system; decline in aggregate demand, commodity prices and trade; and increased unemployment. The decline in global economic activities was attributed to the performance of **Advanced Countries**, as **Emerging Markets & Developing Countries** recorded growth. Despite the overall decline in economic output for calendar year 2009, global economic activities were estimated to have grown during the second half of the year due largely to the implementation of effective monetary and fiscal policies.

All major economic indicators were adversely affected by the recession. There was a decline in investor confidence which resulted in a reversal of the growth trend in Foreign Direct Investment. However, Net Official Flows to Emerging Markets & Developing Countries were positive for the first time in over a decade, reflecting increased reliance on funding from the **IMF** and other multilateral sources. The lower consumer and investor confidence resulted in weakened demand and a decline in global trade and commodity prices. In response to the downturn in economic activities, the unemployment rate increased in all regions.

During the year, the EPA between the EC and CARIFORUM was applied, provisionally. This agreement allows for WTO compatible, duty free access for exports from CARIFORUM member states to the European market. Work towards finalizing this Agreement focused on satisfying requirements for the notification procedure to the WTO and preparation for the establishment of the institutional arrangements necessary to fully enact the Agreement. CARICOM was involved in preparatory work and the first round of negotiations for the establishment of a **CARICOM-Canada Free Trade Agreement**. It is expected that this agreement should be completed by 2011. The WTO granted approval for a waiver for the **Caribbean Basin Economic Recovery Act** (CBERA) which provides non-reciprocal duty free access to the United States market for specified exports under the Caribbean Basin Initiative. This waiver will expire in 2014. Despite the collapse of the Doha Development Round of negotiations in 2008, and there being no further progress in 2009, WTO members reaffirmed their commitment to continue working for its successful completion.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

ODA provided through loans, grants and technical assistance from the IDPs was important in minimizing the effects of the global financial crisis and ensuring acceptable levels of social expenditure. New ODA totalled US\$1.2 billion (\$106.2 billion) while disbursements were US\$495.4 million (\$43.8 billion), an increase of 86.2 per cent and 38.2 per cent, respectively, compared with 2008. The increase in new ODA was primarily in the Directly Productive and Economic Infrastructure sectors, and was largely due to loans from the MFIs and the People's Republic of China.

Notwithstanding the increased ODA resources, the approved level of funding was lower than anticipated, due mainly to protracted negotiations for a Standby Agreement (SBA) with the International Monetary Fund (IMF). Several MFIs awaited the outcome of the IMF Agreement before committing new resources for quick disbursing policy based loans in the latter part of the year.

Of the total disbursed, the MFIs accounted for the largest share of disbursements, representing an increase from US\$265.1 million (\$23.5 billion) to US\$433.9 million (\$38.4 billion). The Bilateral partners disbursed US\$47.8 million (\$4.2 billion) while Multilateral Technical Institutions (MTIs) disbursed US\$13.7 million (\$1.2 billion).

New ODA targeting the Directly Productive sector was US\$442.1 million (\$39.1 billion) and Economic Infrastructure, US\$408.0 million (\$36.1 billion). Development Assistance for the Administrative sector was US\$228.5 million (\$20.2 billion) and that for Social Infrastructure was US\$99.3 million (\$8.8 billion).

The net flow of resources amounted to a positive US\$137.9 million (\$12.2 billion) an improvement of US\$155.3 million (\$13.7 billion) compared with 2008. This resulted from an increase in combined disbursements from the multilateral lending agencies of US\$332.0 million (\$29.4 billion). While the repayment of principal, interest and other charges also increased by US\$4.1 million, the levels of disbursements were higher than the amounts repaid.

SUSTAINABLE DEVELOPMENT & SCIENCE, TECHNOLOGY AND INNOVATION

SUSTAINABLE DEVELOPMENT (SD)

Jamaica began to implement SD programmes within the context of *Vision 2030 Jamaica* with the issue of climate change taking prominence during the year. Activities at the global level culminated with the 15th meeting of the Conference of the Parties (COP-15) of the United Nations Framework Convention on Climate Change (UNFCCC) which was held in December 2009 to facilitate international agreement on actions to combat the impacts of climate change. Locally, a draft **Second National Communication to the UNFCCC** was prepared, which highlighted climate change issues related to various sectors including energy and its greenhouse gas emissions; agriculture; health and coastal resources; and human settlement.

Adaptation of the International Building Code for Jamaica was finalized and Application Documents published in an attempt to improve construction standards to ensure the safety of buildings and structures. Other important developments included: a review of the development approval process, agreement on the establishment of a **Development Assistance Centre**, and the start of preparatory work for the formulation of a **National Spatial Plan** as the strategic spatial framework to guide investment decision making.

Activities to protect the island's rich biodiversity continued with work on the Protected Areas Systems Master Plan; mangrove rehabilitation in degraded areas; water and air quality checks; and the monitoring of coral reefs and beach erosion. Forestry management was enhanced with the establishment of the Dolphin Head Local Forest Management Committees.

The country was spared the onslaught of hurricanes and storms, but it was negatively impacted by drought and fire hazards. There were 14 425 genuine fires calls reported across the island with a high percentage being bush fires. Drought conditions which negatively affected domestic water supply across the island were particularly acute in the Kingston Metropolitan Area. Several capacity building initiatives were conducted in support of hazard risk resilience.

The focus on Geographical Information Systems (GIS) was largely on making information more readily available to end-users. This was evident in the increased use of Web Geographic Information Systems (Web GIS) to manage and distribute geographic knowledge; and the integration of geographic science with design to support sustainable development. There was a general improvement in indicators related to capacity accessibility and availability of geospatial data. The respondents had effectively integrated GIS into their operations or business processes such as data conversion and collection, mapping, land resource assessment, disaster mitigation and management.

SCIENCE, TECHNOLOGY AND INNOVATION (STI)

The drive towards Jamaica becoming a technology enabled society which uses STI as a catalyst for sustainable development was accelerated. This was reflected in the ongoing expansion of the ICT infrastructure which facilitated improvements in the country's performance on the E-readiness and Network Readiness Index rankings. The use of E-services across industries also expanded, facilitating business efficiency through greater connectivity. This was evident in the growth of Automated Banking Machines and the roll out of Third Generation wireless technology across the local telecommunications market. In addition, tele-density increased with the bulk of the increase being attributed to growth in the mobile penetration rate. There were improvements in E-Government with the provision of new online services by a number of public sector agencies and the establishment of two additional Community Access Points.

Efforts to create an enabling environment for diversification of the energy base and improved Energy Conservation and Efficiency advanced with the tabling of the **National Energy Policy 2009-2030** in Parliament as a Ministry Paper. Other initiatives included: expansion of Renewable Energy Technologies, enhanced energy efficiency in the public sector; and the full roll-out of Ethanol-10 blends of 87 and 90 octane gasolines.

The trend towards energy conservation and efficiency was shown by a decline in per capita energy consumption while there was a move towards a more sustainable energy mix evidenced by greater focus on alternative energy. A number of renewable energy projects (wind and hydro) were also initiated in the energy sector including the expansion of Wigton Wind Farm in Manchester and resuscitation of the hydro electric plant at Constant Spring, St. Andrew. Other positive developments included the provision of resources to expand the use of solar technology.

Other actions to develop and use STI to achieve development goals included:

- greater exposure of Jamaican students to STI related disciplines;

- research and development in crop production and pest management;
- analyses of geological and biological matter to determine level of heavy metals;
- introduction of new standards to effect more energy efficient buildings; and
- increased use of technology in agriculture.

Despite the level of activity within the STI arena, resident patent filings remained comparatively low, which is partly reflective of the consistently low Gross Expenditure on Research and Development.

THE ECONOMY

MACROECONOMIC POLICIES AND PERFORMANCE

In framing the 2009 macroeconomic programme, it was noted that the economic downturn being experienced by Jamaica reflected, in part, the structural weaknesses in the economy such as a high debt burden and an inefficient tax system. In response, attention during the year was focused on:

- managing public sector balances and debt;
- improving central government financial management and budget processes;
- fiscal responsibility;
- rationalizing public bodies;
- increasing competitiveness;
- tax policy and administrative reform;
- expenditure rationalization ; and
- public procurement procedures

Macroeconomic Performance

The Jamaican economy was estimated to have contracted by 2.7 per cent during 2009, the second consecutive annual downturn. The Goods-Producing Industry declined by 8.5 per cent reflecting lower output levels for all the sub-industries, except Agriculture, Forestry & Fisheries and the continued lower external and domestic demand as a result of the global economic and financial crisis.

The Services Industry declined by 0.6 per cent reflecting mainly declines in the Transport, Storage & Communication and Wholesale & Retail Trade; Repair and Installation of Machinery.

Monetary policy operated within the context of the continued adverse impact of the global financial and economic crisis particularly on Jamaica's ability to access credit markets, and the decline in global and domestic demand for Jamaica's products. This resulted in a decline in foreign exchange inflows, weakened consumer and business confidence and a reduction in GDP.

Monetary policy initially focused on: (i) preserving stability in the domestic financial system; and (ii) reducing the level of instability in the foreign exchange market. During the first quarter of 2009, the Bank of Jamaica further tightened its monetary stance (adopted in the latter half of 2008), by increasing the domestic cash reserve ratio by 3.0 percentage points to 14.0 per cent. This was complemented by net sales of foreign currency to the market and moral suasion.

For the remaining three quarters, there was: (a) stability in the foreign exchange market; (b) a reduction in inflation expectations; (c) improvement in the Current Account; and (d) an increase in the Net International Reserves. In response, the BOJ relaxed its monetary stance through reducing the rates payable on all Open Market Operations Instruments. Point to point inflation was 10.2 per cent as inflationary impulses emanated mainly from administrative price adjustments and the gradual upward movement in international commodity prices. Domestic price increases were constrained by the decline in domestic demand coming from the economic downturn and the excess supply of some domestically produced agricultural items.

The Central Government Operations for April – December 2009 yielded a fiscal deficit of \$96.3 billion which was \$18.1 billion or 23.1 per cent higher than programmed. This resulted from lower than programmed Revenue & Grants of \$23.4 billion, which outweighed the effect of the \$5.4 billion lower than programmed Expenditure.

The shortfall in Revenue & Grants was attributed to the greater than anticipated downturn in economic activities due to the impact of the global financial crisis. In light of the revenue shortfalls, a Supplementary Budget was tabled in September which reflected additional tax measures and curtailed expenditure, including the implementation of a public sector wage freeze. The Public Sector Transformation Unit was also established to oversee the transformation of the public sector.

Despite efforts at expenditure curtailment and revenue enhancement, the deterioration in the underlying economy occurred at a faster than anticipated rate and resulted in a higher than projected deficit. In addition, the reduction in external demand for Jamaican goods and services and the reduced earnings of Jamaicans living abroad resulted in significant declines in foreign exchange flows attributed to bauxite/alumina and tourism earnings and remittances.

These events threatened the buoyancy of the balance of payments and the stability of the fiscal accounts. In order to bolster the Balance of Payments, negotiations were initiated with the IMF to facilitate access to a US\$1.3 billion Standby Agreement. The completion of this agreement would also facilitate a flow of funds from the multilateral financial institutions of an additional US\$1.2 billion, which would be used for budget support and for project and policy based loans. Prior to the formal negotiations scheduled for early 2010, three Prior Actions have to be completed: (a) a tax package yielding 2.0 per cent of GDP; (b) a debt exchange yielding 2.0 per cent of GDP; and, (c) a decision on the divestment of Air Jamaica. The tax package was announced in December 2009 parts of which will become effective on January 1, 2010. The Debt Exchange and discussions for the divestment of Air Jamaica are to be completed in 2010.

SECTORAL PERFORMANCE

The economic sectors operated in the context of a challenging domestic and external environment. The focus during the year remained on instituting and implementing policies and programmes to improve the efficiency and competitiveness of Jamaican economic activity. These were intended to facilitate the development of internationally competitive industry structures within and across the sectors

and are consistent with the strategic framework outlined in *Vision 2030 Jamaica*.

GOODS PRODUCING INDUSTRIES

Agriculture

Real value added for Agriculture, Forestry & Fishing grew by 12.1 per cent in 2009 and contributed 5.6 per cent to overall GDP. The improvement in this industry was attributed to: (a) the Production and Productivity Programme introduced by the Ministry of Agriculture to boost output by improving the technology of farmers; (b) the development of programmes which offered increased support to farmers in the areas of marketing, irrigation and extension services; and (c) new entrants to the industry. The Statistical Institute of Jamaica reported that, on average, there were 10 500 more persons employed in the industry in 2009 relative to 2008.

Policy development relating to the Agriculture, Forestry and Fishing industry in 2009 included:

- signing of a **Memorandum of Understanding** with the European Commission and the Food and Agriculture Organization strengthen Jamaica's Food Security initiatives;
- completing the Jamaica **Agriculture sub-industry strategy for Fruits and Vegetables; Roots and Tubers; and Vegetables** which is geared at diversifying agriculture production; and
- developing a new policy framework for the sugar, banana, cocoa and coffee sub-industries.

As a result of these initiatives and policies employed to improve output, the Planning Institute of Jamaica's Agricultural Production Index indicated that gross output grew by 11.7 per cent. Other Agricultural Crops which comprise mainly Domestic Crops increased by 20.0 per cent and Export Crops by 12.3 per cent. However, Animal Farming, Fishing and Post Harvest Activities declined by 1.7 per cent, 5.3 per cent and 10.1 per cent, respectively. Earnings from exports of Traditional Agricultural commodities amounted to 39.1 compared with US\$31.8 million in 2008.

Mining and Quarrying

Real value added for the Mining & Quarrying industry declined by 50.2 per cent in 2009. The industry contributed 2.0 per cent to overall GDP compared with 3.8 per cent in 2008. This was the third consecutive annual downturn and was due to reductions in both alumina and crude bauxite production. The decline in alumina production resulted from lower output at the Kirkvine and Ewarton plants of the West Indies Alumina Company (WINDALCO) and at Aluminium Partners (ALPART) following the cessation of production in March 2009 and April 2009, respectively. These closures were in response to the global recession and its negative impact on the price and demand for aluminium which resulted in the closure of less efficient aluminium and alumina plants. The decline in crude bauxite production was in response to lower international demand for alumina.

Preliminary export earnings totalled US\$466.8 million, a decline from US\$1 368.3 million recorded in 2008. This contraction reflected a fall in the value and volume of both alumina and crude bauxite exports.

The Industrial Minerals (Quarrying) sub-industry was severely affected by the deepening global recession. With the closure of three of the four alumina plants, the completion of a major road rehabilitation programme and other infrastructural projects, production of most industrial minerals declined relative to 2008.

Manufacture

Manufacturers were assisted in navigating the challenges that stemmed from the impact of the global crisis on the industry. The assistance included: (a) removal of the Custom User Fees payable on capital goods and raw materials; (b) adjustment in the Government procurement policy in favour of local manufacturers; and (c) reduction in the time allowed for depreciating the cost of capital equipment.

Real value added for the Manufacture industry was estimated to have declined by 5.0 per cent during 2009 and contributed 8.3 per cent to total gross domestic product. This performance was due to declines in both major components of the industry: Food, Beverages & Tobacco and Other Manufacturing. With the intensification of the impact of the global financial and economic crisis on the Jamaican economy, the conditions within which the industry operated worsened relative to 2008. Additionally, production levels in Other Manufacturing were negatively impacted by the downturn in the Construction and Mining & Quarrying industries.

The decline in Manufacture was attributable to challenges on the demand as well as the supply side. In terms of demand there were difficulties associated with the contraction in disposable income and weakened confidence among consumers, to which producers responded by reducing production. Supply-side constraints which existed in the 2008, worsened in the first half of 2009 as the credit market tightened and operational expenses increased. In recognition of the supply-side challenges, special facilities were extended to the industry by the public and private sectors. A Stimulus Package was also instituted and special loan facilities were extended by various financial institutions.

Data at the end of December 2009 indicated that there was a reduction in the value of Manufactured Exports relative to the comparable period in 2008. Consistent with falling global demand and commodity prices, the value of locally manufactured exports declined and was reflective of lower export earnings for both Traditional and Non-Traditional Exports.

Construction

Real value added for the Construction industry declined by an estimated 4.6 per cent. The performance of the industry continued to be impacted by the global economic and financial crisis. This led to the industry's overall contribution to GDP moving to 8.0 per cent compared with 8.2 per cent in 2008. Lower levels of activities were recorded for the Building Construction and Other Building Construction components. The downturn in the Building Construction category reflected the reduction in residential construction as well as other private and public projects. The decline in Other Building Construction resulted from a fall in Civil Engineering activities associated with construction work at air and sea ports.

Several policies were developed and/or implemented to facilitate activities within the industry. These included:

- the first draft of the **National Housing Policy** which is aimed at among other things, improving the legislative framework for housing, squatter regularization, and the reactivation of the secondary mortgage market; and
- implementation of the new **National Building Code** which is aligned with international codes to suit Jamaican conditions.

Development of infrastructure continued on various projects including the **Northern Jamaica Development Programme**, the **Bogue Rehabilitation Project**, and **Emergency Road Repairs**. Other major activities which were undertaken throughout the year included:

- continued work on the **Highway 2000 Project**; and
- a contract for approximately \$1.2 billion in relation to the **Washington Boulevard Improvement Project** was signed and work commenced on widening 2.75 kilometres of roadway along Washington Boulevard and Dunrobin Avenue.

SERVICES INDUSTRIES

Energy, Electricity and Water

Real value added for the Electricity & Water Supply industry grew by 2.2 per cent relative to 2008, fuelled by higher electricity generation and water production. The growth in output was facilitated mainly by a 7.1 per cent increase in generation from the non-Jamaica Public Service Company sources as output from Jamaica Public Service Company sources grew by 0.1 per cent to 2 867.1 GWh. Sales grew to 3 231.5 GWh from the 3 130.0 GWh recorded in 2008. Reflecting lower fuel prices for most part of the year, revenue fell by 0.2 per cent to \$71.7 billion.

Water production by the National Water Commission (NWC) increased by 2.2 per cent to approximately 299 285.0 megalitres of water. This was mainly due to higher levels of production in Other Parishes (up 3.3 per cent) as output from Kingston & St. Andrew & St. Thomas fell by 0.7 per cent to 80 507.7 megalitres. Increased production in Other Parishes was facilitated by, among other things: (a) rehabilitation works associated with the KMA Water Supply Project; (b) less severe drought conditions in some parishes; and (c) build up of surface source due to rains. The prevailing drought conditions, especially in the second half of the year, were the main contributor to the decline in water production in Kingston, St. Andrew & St. Thomas. The number of connections stood at 416 888, reflecting reduced connections in Kingston, St. Andrew & St. Thomas (4.4 per cent) and Other Parishes (4.8 per cent). Revenues grew by 15.6 per cent to \$15 003.6 million reflecting changes in the annual price adjustment mechanism.

With respect to energy, a three-year planning project to provide viable options for coping with the worldwide energy crisis commenced during the year. The policies developed during the period included the **Carbon Emission Trading** policy and the **Energy Conservation and Efficiency** policy. In the area of Alternative Energy Sources, activities relating to Wind Mapping, Solar, Hydropower, Waste to Energy and Biomass were advanced in terms of studies and testing.

Transport, Storage and Communication

Real value added for the Transport, Storage & Communication industry fell by 4.4 per cent relative to 2008. This decline was influenced mainly by reduced activities at the island's sea and airports, which was associated with the downturn brought about by the global economic recession. The fall-off in performance in the Transport & Storage segment was reflected in a number of indicators, including:

- the number of ship calls to the islands ports, down 5.3 per cent to 3 398;
- the volume of cargo handled, declined by 28.1 per cent to 14.5 million tonnes;
- revenue passenger miles (Air Jamaica), down 27.6 per cent to 1 362 million;
- passenger movements at the island's international air ports, fell by 5.1 per cent to 4 850 463; and
- the number of vehicles certified fit to operate on the island's road, declined by 6.8 per cent to 388 211.

These declines outweighed the growth recorded in the telecommunications segment of the industry. Increased telecommunication activities were associated with the expansion and modernization of the network; adoption of emerging technologies; introduction of new services; and employment of a variety of marketing activities. At the end of 2009, there was an estimated 3.0 million mobile and 302 336 fixed line customers compared with 2.7 million and 316 591, respectively, at the end of 2008. This brought the number of telephone subscribers to approximately 3.2 million with a tele-density of 119/100 population. Five telecommunications licences were approved, bringing the total issued since liberalization to 446. There was a decline of 5.1 per cent in the volume of mail handled by the Post & Telecommunications Department. Revenue collected by the Department also fell, while expenditure grew by 17.1 per cent. This translated to a 65.8 per cent increase in the deficit to \$708.0 million.

The Transport sector operated within the context of the National Transport Policy. In addition, a position paper on the **Single Road Authority**, and the **Drainage Master Plan**, were developed and the **Road Maintenance Master Plan** was approved by Cabinet.

Tourism

The thrust of government's tourism policies for 2009 focused on: (1) reducing the impact of the global recession; (2) maintaining and increasing market share; (3) maintaining and increasing visitor arrivals (stopover and cruise passenger); and (4) maintaining and increasing airlift capacity. During the year, the tourism industry was negatively impacted by the global economic crisis. Despite this, real value added for the Hotels and Restaurant industry grew by an estimated 1.4 per cent and contributed 5.8 per cent to overall Gross Domestic Product. Total stopover arrivals grew by 3.6 per cent to 1 831 097, while cruise ship passenger arrivals declined by 15.5 per cent to 922 349, the third consecutive year of decline. Total stopover expenditure was US\$1859.1 million, a decrease of 0.7 per cent relative to 2008. Total cruise expenditure declined by

22.7 per cent to US\$80.6 million. The average length of stay was 9.2 nights compared with 9.3 nights in 2008. Investment in the industry included: the expansion of hotel room stock as well as an increase in the number of attractions.

The main policy documents guiding the industry were the **Master Plan for Sustainable Tourism Development** and the **Tourism Sector Plan of Vision 2030 Jamaica**. The industry benefitted from various Incentive Acts, including the Hotel Incentives Act & Resort Cottages Incentives Act and the Tourism Ground Transportation Sub-Industry Incentive Policy.

Wholesale & Retail Trade

The WRTRIM industry registered a 1.2 per cent decline in real value added due to a decline in gross sales. The industry share of total GDP increased to 19.3 per cent relative to 19.0 per cent in 2008. The lower value added was attributed to declines in aggregate demand which reflected the impact of the global economic and financial crisis. Purchasing power was constrained by: (a) an 11.4 per cent decline in remittances; (b) declines in real income; and (c) increased unemployment levels. On average, business and consumer confidence during the year were lower amidst uncertainty about future economic prospects. This resulted in unwillingness to spend, primarily on the part of consumers.

THE SOCIAL SECTOR

DEMOGRAPHICS AND THE LABOUR MARKET

Population

The population at the end of 2009 was estimated at 2 698 800 with a growth rate of 0.2 per cent. The rate of natural increase was 9.8 per 1 000 with estimated births and deaths at 44 000 and 17 600, respectively and a loss of 20 000 to net external movements. Migration continued to have a major impact on population growth rate with the majority of migrants from Jamaica going to the USA.

Jamaica is experiencing the effects of an ageing population structure, with a declining 0–14 age group; and an increasing working age (15–64) and dependent elderly age group (65 and older age group). The elderly (60 and older) remains the fastest growing segment of the population. This is due to declining fertility and mortality rates and increased life expectancy. Age Dependency Ratios are declining and will continue in this trend up to 2020.

The Review of the fifteen year anniversary of the Programme of Action of the International Conference on Population and Development (ICPD+15) demonstrated that Jamaica has made progress in population and development integration; reproductive health; and the formulation of policies and programmes for children, youth, elderly and persons with disabilities.

Labour Market

The labour market experienced the effects of the economic downturn in 2009 as indicated by declines in employment and participation in the labour force. The number of persons in the labour force declined by 2.2 per cent to 1 270 500, and the labour force participation rate decreased by 1.9 percentage point to 63.6 per cent. The male labour force participation rate was 71.8 per cent, while the female rate was 55.7 per cent. The number of employed persons decreased by 3.1 per cent to 1 126 100. This

involved a decrease of 22 100 employed males to 639 000, and a decline of 14 000 employed females to 487 100.

The unemployed labour force increased by 5.2 per cent to 144 400. Average unemployment rate was 11.4 per cent, an increase of 0.8 percentage point relative to 2008, with the male unemployment rate being 8.6 per cent, and the female rate being 14.8 per cent. The youth (14–24 years) unemployment rate increased to 27.1 per cent from 25.9 per cent, while the adult (25 years and over) unemployment rate averaged 8.9 per cent, compared with 7.9 per cent for 2008. Employment declined in both the Goods Producing Industry and the Services Industry and by 3.4 per cent to 406 700 and 3.0 per cent to 719 400, respectively. The Services Industry accounted for 63.9 per cent of total employment.

A total of 10 341 Jamaicans participated in the Government Overseas Employment Programme, a decline of 13.5 per cent compared with 2008. Remittances from participants employed in the United States of America (USA) declined by 37.4 per cent to US\$6.2 million, while remittances from persons employed in Canada increased by 1.7 per cent to C\$11.9 million.

Consistent with the general decline in employment, there was a decline by 29.8 per cent to 3 569 in the number of work permits issued to expatriates. Professionals, Senior Officials and Technicians were the main beneficiaries of work permits (73.3 per cent). The majority of work permits were approved for six to less than 12 months (52.5 per cent).

The number of industrial disputes decreased by 20.6 per cent to 158, while the number of work stoppages declined from eight to four. The largest proportion of industrial disputes (26.6 per cent) occurred in the Finance, Insurance, Real Estate & Business Services sub-industry. Of the four work stoppages, two occurred in the Community, Social and Personal Services sub-industry. Despite the decline in the number of work stoppages, the number of man-days lost, as a result of work stoppages, increased to 2 188 from 2 100. The number of workers involved, declined from 1 300 to 944. The average number of man-days lost per worker increased to 2.3 from 1.6.

In May, the National Minimum Wage rate increased by 10.0 per cent to \$4 070 for each forty hour week, or a rate of \$101.75 per hour worked. The minimum wage rate for Industrial Security Guards also increased by 10.0 per cent to \$6 050 per week, or \$151.25 per hour.

HUMAN DEVELOPMENT, WELFARE AND CULTURE

Education and Training

The major emphasis in education and training was on promoting access and quality in educational delivery. Much effort was placed on infrastructural development, maintaining tuition-free primary and secondary education, providing nutritional and educational materials support, improving quality of teacher education, and developing policies and programmes relating to school attendance and behaviour management. Measures were instituted at all levels of the education system to improve the quality of teaching and promote accountability and a culture of excellence. With respect to quality, the Ministry of Education focused on improving literacy and numeracy through a Competency Based Transition Approach for

primary students progressing to the secondary level. Through this approach, students' literacy and numeracy are certified before they take the Grade Six Achievement Test (GSAT) examinations.

Priority was placed on school safety and security through the introduction of new behaviour management and modification strategies. Of particular importance were the Alternate Student Intervention Programme (ASIP), a time-out initiative which targets students with maladaptive behaviours, and a Behaviour Management Protocol.

The MOE improved access to education by creating a total of 2000 new spaces through the building of a new school (Belmont Academy in Westmoreland) and increasing the number of spaces available in existing schools. Belmont Academy was also the first school to use the Centre of Excellence Framework introduced by the Ministry to govern all new schools.

In the 2008/09 academic year, an estimated 82.8 per cent (888 798 persons) in the school-age cohort (3-24 years old) were enrolled. The total number of students enrolled in the public and private education system at the pre-primary, primary and secondary levels was 717 008, with gross enrolment rates of 98.9 per cent, 99.7 per cent, and 82.5 per cent, respectively. At the tertiary level, gross enrolment was 30.8 per cent. The number of persons trained in the category, Professional, Senior Officials and Technicians was 14 151 (71.7 per cent female). Available data showed that a total of 60 623 persons (55.3 per cent female) were trained as skilled and semi-skilled personnel.

In **Training**, the National Training Agency (HEART/Trust/NTA) established over 30 major partnerships to expand access to training, nationally. One such project was the Government of Jamaica/Government of India ICT Project to build ICT capacity in Jamaica in the areas of Networking and Enterprise Software Development.

Health

The Government continued its initiative to improve access to public health facilities during the year. The initiative which saw the removal of user fees from public sector health facilities commenced in 2008, and during 2009, there were increases in the number of visits to many public health facilities across the island as well as the demand for pharmaceuticals. The National Public Health Laboratory reported a 17.2 per cent increase in the number of samples and tests conducted during the year relative to 2008.

There was a move to establish a direct reporting relationship between the Regional Health Authorities and the Ministry of Health's (MOH) Head Office. This formed part of the ongoing sectoral reform which aimed to strengthen the monitoring role of the MOH.

There was the completion of the Mental Health Strategic Plan and regional work plans during the year. Mental health experts also raised concerns about the role of mental trauma and mental stress as possible underlying causes for the high levels of homicide and other acts of criminality prevalent in the society.

The National Surveillance and Management System was launched with the primary objective to help health workers manage the outbreak of contagious diseases. The outbreak of the H1N1 virus provided an opportunity for the system to be tested. There were two other outbreaks during the year, malaria in the parish of St. Catherine which was brought under control, and Hand Foot and Mouth disease in the parish of Kingston.

National Security and Justice

The Ministry of National Security (MNS) and the Ministry of Justice commenced implementation of key strategies and actions *Vision 2030 Jamaica*. This included: **the Jamaica Violence Prevention, Peace and Sustainable Development Programme**; the **Rehabilitation and Reintegration of Local Offenders and Deported Persons Programme**; and **Phase I of the Citizens' Security and Justice Programme**. Work also began on the **National Crime Prevention and Community Security Strategy** as well as a **Youth Offender Strategy**. The National Security and Justice Thematic Working Group (TWG) was established to provide guidance and oversight for the implementation of these aspects of **Vision 2030 Jamaica**.

Additionally, MNS accomplished the following:

- began implementation of the recommendations arising from the Jamaica Constabulary Force (JCF) Strategic Review;
- preparation of an Anti-Corruption Plan;
- finalization of the Community Based Policing (CBP) Training Manual; and
- merger of the JCF's Narcotics Division and the investigative arm of Operation Kingfish to form the Transnational Crime and Narcotics Division (TCND).

The major crime rate increased to 437 per 100 000 and the murder rate increased to 62 per 100 000. This movement in the major crime rate was due mainly to an increase of over 50.0 per cent in the reported cases of breaking and larceny. The clear-up rates for major crimes and murder declined to 22.5 per cent and 28.8 per cent, respectively.

Prison rules and national standards for community services were developed and implemented by the Department of Correctional Services. Additionally, the **Hush the Guns** programme was implemented at the Diamond Crest facility.

Several pieces of legislation were enacted or amended during the year including: the **Sexual Offences Act**; the **Child Pornography Act**; the **Appropriation Act**; and the **Constitution (Constituencies) (Amendment) Act**. Other pieces of legislation were at various stages of development such as, the **Whistleblower Legislation** and the **Evidence (Amendment) Act**.

Social Development, Social Protection and Culture

Social development issues remained of critical importance over the year, particularly given the challenges on the economic front. Efforts were made to increase the number of clients on PATH to the anticipated coverage of 360 000 announced the previous year. The pilot of the Steps-to-Work programme was launched, and is being effected in six parishes. The Government received additional social welfare support from the World Bank, through implementation of its Support to the Food Price Crisis project.

Care and protection of children was again supported by international development partners, particularly through the GOJ/UNICEF Programme of Cooperation and the World Bank sponsored Early Childhood Development Project.

Strengthening of the frameworks for the delivery of services to children, early childhood development, research and policy development were key areas of the child development agenda. Youth development focused once more on empowering youth through education and skill development, as well as soft skill areas. Social inclusion and income support were two main objectives of the programme interventions for elderly persons and persons with disabilities.

A National Report to the United Nations on the country's status in relation to the Millennium Development Goals was prepared with wide stakeholder involvement. It indicated that while there was good progress in eight of fourteen global indicators, and the country was on track to achieve other targets, mortality targets were behind, and environmental and gender equality targets were lagging.

Gender mainstreaming was further advanced with the establishment of a Male Desk within the Bureau of Women's Affairs. Supported by non-government institutions and international development partners, critical research studies and community interventions were undertaken in support of gender empowerment. Community development in general was also supported by non-government agencies, international partners and community-based organizations. Efforts at advancing Local Government reform objectives were intensified over the year, with the major areas of focus including service delivery, financial management, governance, and the structure and functions of Local Authorities. Cultural development continued to be enhanced through various programmes, with the Jamaica Cultural

Development Commission and other agencies seeking to harness creative energies and talent, while preserving national heritage and legacies.

CONCLUSION

The year 2009 was difficult. Globally, policymakers struggled to keep their economies together using fiscal and monetary tools whilst pursuing well-needed reforms. Despite Jamaica's favourable position in the area of financial sector stability, the impact of the decline in foreign exchange flows indicated the need for an SBA with the IMF. This will support our Balance of Payments and the reform and development efforts in the economic, social and environmental sectors of the country.

The country continues to face the challenges of the global economy, systemic weaknesses in the economy and society and the realities of achieving structural change in the short-term. Priority setting will be essential and should be based on the demands, given the resources at our disposal. While Jamaica has to respond to the short-term demands, it cannot lose sight of the strategic and long-term requirements for development as embedded in *Vision 2030 Jamaica*. A change in the mindset of the nation is required if we are to achieve sustainable prosperity over the next 20 years. The successful realization of the vision, "*Jamaica, the place of choice to live, work, raise families, and do business*", will therefore depend on the commitment of the entire society. ■