

Press Release
Signing Ceremony of the Loan Contract for
Fiscal and Debt Sustainability Development Policy Loan

January 23, 2009

Finance and the Public Service minister, the Honourable Audley Shaw and World Bank Country Director for the Caribbean, Ms. Yvonne Tsikata will sign a Development Policy Loan (DPL) in the amount of US\$100.0 million which amounts to approximately JA\$8.4 billion in support of the Government's fiscal and debt sustainability programme at the Finance Ministry in Kingston this morning (Friday, January 23, 2009). The loan attracts a variable interest of 1.8 percent payable over 30 years including a 5-year grace period.

The funds will assist with containing and reducing debt, enhancing revenues, and increasing the efficiency of public sector spending and investment. Specifically, the loan will support Government's critical reforms aimed at:

- aligning the budget to medium-term expenditure priorities and developing a strategic public sector investment programme,
- improving efficiency of public sector spending, and
- lowering public debt to reduce macroeconomic vulnerabilities. These activities are expected to improve fiscal discipline and help foster growth in the medium term through a better allocation of scarce public resources to higher investment.

This DPL represents the World Bank's largest single loan to Jamaica and brings the value of the Bank's portfolio for Jamaica to US\$217.0 million, the highest for the last four (4) years. The DPL will complement other reform initiatives being supported by the IDB-funded Jamaica Competitiveness Enhancement and the Public Financial and

Management Programmes, as well as the European Union's – General Budget Support Programme and the Caribbean Development Bank's – Policy Loan.

The Government is committed to achieving the following key outcomes:

1. Reducing the Net Public Debt to GDP;
2. Increasing efficiency of public financial management and budgeting processes;
3. Improving capacity at the Auditor General's Department through training of Senior Auditors and upgrading of IT and other facilities;
4. Reducing distortions and enhanced efficiency and fairness of the tax system; and
5. Expanding the tax net.

The signing of this Loan culminates a series of consultations between the World Bank and the Government. The Government therefore wishes to express its gratitude to the Bank for the technical expertise provided to make this loan possible. Resources are available for immediate drawdown, as all conditions have already been met.

The Government wishes to highlight that with over US\$700.0 million in PBLs and DPLs that will be provided over the four-year 2008-2010, by the IDB, WB, EU and CDB, there is a commitment to establish an effective implementation and monitoring system to ensure that policy actions are co-ordinated and undertaken in a timely manner.