



JAMAICA

April 2017

FIRST REVIEW UNDER THE STAND-BY ARRANGEMENT, REQUEST FOR WAIVER OF A PERFORMANCE CRITERION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

In the context of the First Review under the Stand-By Arrangement, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on March 3, 2017, with the officials of Jamaica on economic developments and policies underpinning the IMF arrangement under the Stand-By Arrangement. Based on information available at the time of these discussions, the staff report was completed on March 30, 2017.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Jamaica*
Memorandum of Economic and Financial Policies by the authorities of Jamaica*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes First Review under the Stand-By Arrangement for Jamaica

- Program implementation remains strong under the Stand-By Arrangement, with sustained positive GDP growth
- The rebalancing from direct to indirect taxes, which is accompanied by higher social expenditure, is expected to expand the revenue base to support growth-enhancing spending, which will create jobs and reduce poverty
- The Bank of Jamaica's planned move to introduce a market-based exchange rate pricing mechanism will facilitate the central bank's inflation targeting objective

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Jamaica's performance under the program supported by the [Stand-By Arrangement](#) (SBA), on a lapse of time basis. ¹ The 36-month SBA with a total access of SDR 1,195.3 million (about US\$ [1.64] billion), equivalent of 312 percent of Jamaica's quota in the IMF, was approved by the IMF's Executive Board on November 11, 2016 (see [Press Release No.16/503](#)). The Jamaican authorities continue to view the SBA as precautionary, and to use it as an insurance policy against unforeseen external economic shocks that could lead to a balance of payments need.

Program implementation remains strong under the SBA. Sustained macroeconomic discipline and visible reforms have boosted stability and confidence. Positive real GDP growth has been recorded in 7 consecutive quarters, and Jamaica is projected to grow by 2 percent in FY2017/18, bolstered, by construction and tourism, among other factors. Inflation reached an all-time low in 2016, and investor confidence is at an all-time high, attracting foreign direct investment. The current account deficit has narrowed significantly, supporting accumulation in non-borrowed reserves.

¹ The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Continued fiscal consolidation—as reflected in the 7 percent of GDP primary surplus target under the FY2017/18 budget—remains critical for further debt reduction. The ongoing revenue-neutral rebalancing from direct to indirect taxes, designed around the principles of fairness, progressivity and efficiency, will further expand the tax base and work incentives. The budget also provides for greater capital spending.

The significantly higher budget allocation for social spending will help insulate Jamaica's poor and vulnerable from the impact of the rebalancing to indirect taxes. Implementation of the PATH graduation strategy later this year will help reallocate resources to the neediest families. The planned targeting assessment will be critical to improving and expanding the coverage.

Decisive policy actions are required to improve public sector resource allocation and efficiency. Reducing the government's wage bill, including by strengthening budgetary controls, redefining the size of government, and lowering pension costs, is key to shifting Jamaica's limited fiscal resources to productive spending. At the same time, a broader effort to reduce the number of public bodies and improve their monitoring will enhance their governance and transparency, and reduce fiscal risks. Avoiding a return to discretionary tax incentives to specific businesses and/or sectors is critical to safeguard the gains achieved in tax policy from implementing the 2014 Omnibus bill.

Anchoring monetary actions on the central bank's inflation objectives, supported by a flexible exchange rate, is crucial for policy credibility. The BOJ's planned move towards a transparent and more market-based exchange rate pricing mechanism via foreign exchange auctions will improve price discovery in the foreign exchange market, and facilitate BOJ's market-based purchase of international reserves. The authorities are also taking actions to further enhance financial sector supervision, crisis preparedness, and strengthening the framework for anti-money laundering efforts and combating the financing of terrorism (AML/CFT).

The expanded program monitoring—through the Economic Program Oversight Committee, the Economic Growth Council, and the Public-Sector Transformation Oversight Committee—will continue to update the wider public on progress under the government's policy commitments, holding the government accountable to the Jamaican people.



JAMAICA

March 30, 2017

FIRST REVIEW UNDER THE STAND-BY ARRANGEMENT, REQUEST FOR WAIVER OF A PERFORMANCE CRITERION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Macroeconomic outturns are steadily improving. After 7 consecutive quarters of positive growth, real GDP seems on target to grow by 1.7 percent in FY16/17, driven by agriculture, construction, and tourism. Inflation and the current account deficit remain contained, supported by low oil prices. Employment is growing, but unemployment is a chronic issue. Business and consumer confidence are near historic highs. The 7 percent of GDP primary surplus target is set to be reached, and public debt is on a downward path.

Strong performance under the Stand-By Arrangement. All structural benchmarks and all but one performance criteria for the first review were met. The continuous performance criterion on non-accumulation of external debt payment arrears was breached by a small amount by one public body. Corrective measures are underway. Based on the authorities' continued steadfast program implementation and their forward-looking policy commitments, staff recommends completion of the first review.

Focus of the review. Discussions centered on (i) a FY2017/18 budget that maintains a 7 percent of GDP primary surplus target, rebalances from direct to indirect taxes, and directs greater resources to capital spending; (ii) increasing social transfers to the poor, (iii) reducing the size of the public sector and increasing its efficiency, (iv) improving the monetary policy toolkit and modernizing the means by which the central bank undertakes the purchases and sales of FX, (v) strengthening the institutional framework for financial stability, and (vi) fostering sustained and equitable growth.

Risks. Preserving the social consensus for reform will be critical in sustaining the gains to macroeconomic stability and resilience that have been achieved over the past four years. In this regard, the government will need to carefully plan, manage, and communicate upcoming public sector changes, especially in light of ongoing public sector wage negotiations.

Approved By**Nigel Chalk (WHD)
and Peter Allum (SPR)**

Discussions took place in Kingston during February 20–March 3, 2017. Mission team comprised U. Ramakrishnan (head), J. Wong and K. Youssef (all WHD), X. Fang (FAD), A. Guscina (MCM), N. Sobrinho (SPR), and C. Lonkeng (Resident Representative).

They were assisted at headquarters by H. Canelas and C. Li and at the Resident Representative office by T. Bryson, T. Ennis, and M. Campbell.

Ms. Horsman and Mr. Williams (OED) participated in the discussions.

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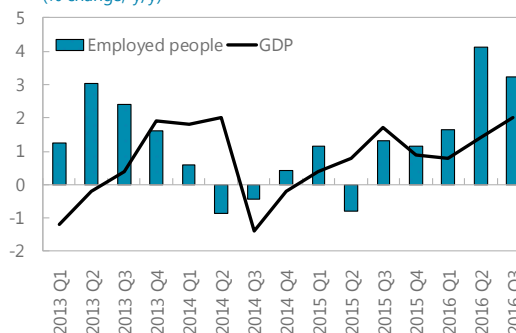
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SUSTAINED GROWTH AND BETTER FUNDAMENTALS

1. **Sustained albeit modest growth.** Positive growth has been recorded for 7 consecutive quarters, including 2 percent in Q2 FY2016/17; growth is expected to be 1.7 percent for the fiscal year.

Agriculture—supported by favorable weather—and robust outturns in construction and tourism are the main drivers. The unemployment rate is declining, albeit still high at 12.9 percent in October 2016; employment increased by 3 percent (y/y). Business and consumer confidence are near historic highs. Continued reforms could raise medium-term growth to 2.5 percent, as higher productivity and stronger fundamentals help attract domestic savings to private sector projects.

Quarterly GDP and Employment Growth
(% change, y/y)

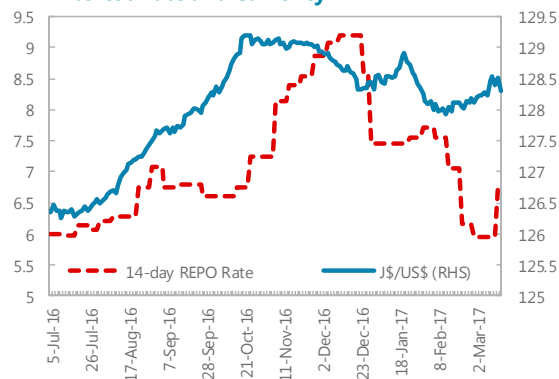


2. **Robust external position.** The current account deficit for FY2016/17 is expected at 3 percent of GDP, with higher energy prices offset by an uptick in tourism receipts, manufacturing and agricultural exports and ongoing import substitution. Gross reserves are expected to rise to US\$3.3 billion by end-March 2017. In November 2016, Moody's upgraded Jamaica's credit rating from Caa2 to B3 with a positive outlook. Jamaican sovereign spreads are now around emerging market averages.

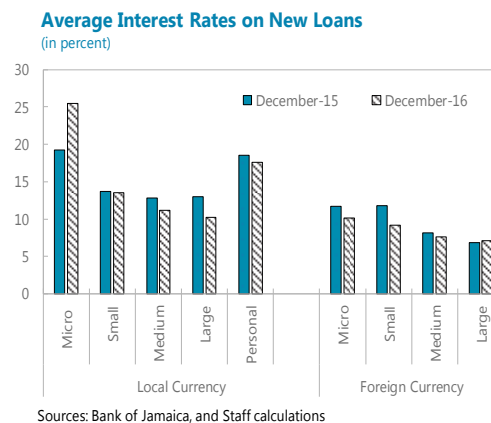
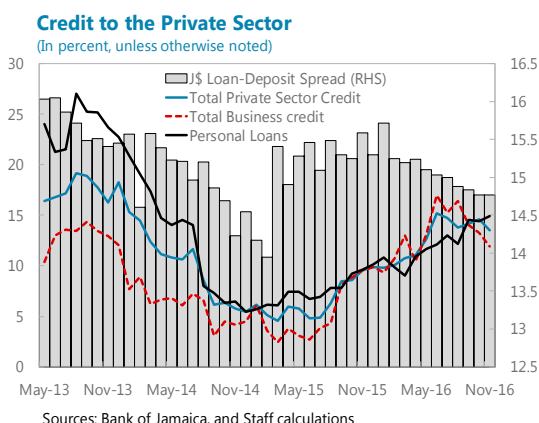
3. **Low core inflation, but an expected rise in oil prices could boost headline inflation.** Headline CPI inflation during 2016 was 1.7 percent (y/y), an all-time low. Core inflation was also low at 2.3 percent (y/y). Headline inflation in February rose to 3.6 percent (y/y), reflecting higher food prices and pass-through from higher oil prices to electricity and transport prices. Average inflation in FY17/18 is projected to be 4.5 percent as higher world oil prices continue to feed through, and converging to the mid-point of the central bank's target inflation range of 5.5 percent over the medium term.

4. **Tighter financial conditions and some currency appreciation.** The 14-day repo rate rose by over 250 bps from October to mid-December (before falling to 6.75 percent by early March 2017). The higher domestic rates led to a reversal of the weakening in the J\$/US\$ exchange rate that was evident from June to October 2016. Appreciation pressures were compounded by the Bank of Jamaica (BOJ) prepaying US\$262 million in FX-denominated CDs in late January.

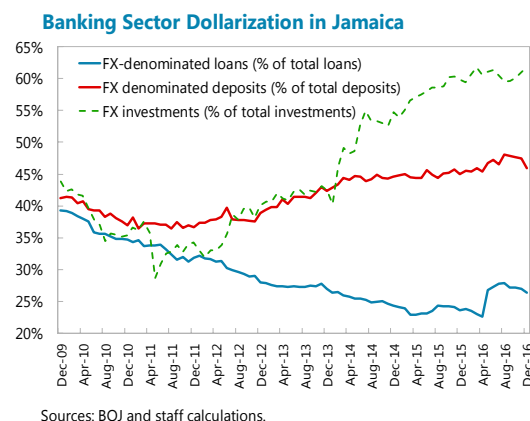
Interest Rate and Currency



5. **Ongoing private sector credit growth.** Credit to the private sector has grown at double digit rates since April 2016—albeit from a low base—mainly driven by personal loans for credit cards and housing. The spread between the policy rate and lending rates remains large. There is, however, some evidence that rates on most personal loans and new business loans have started to slowly decline, supporting the credit expansion.

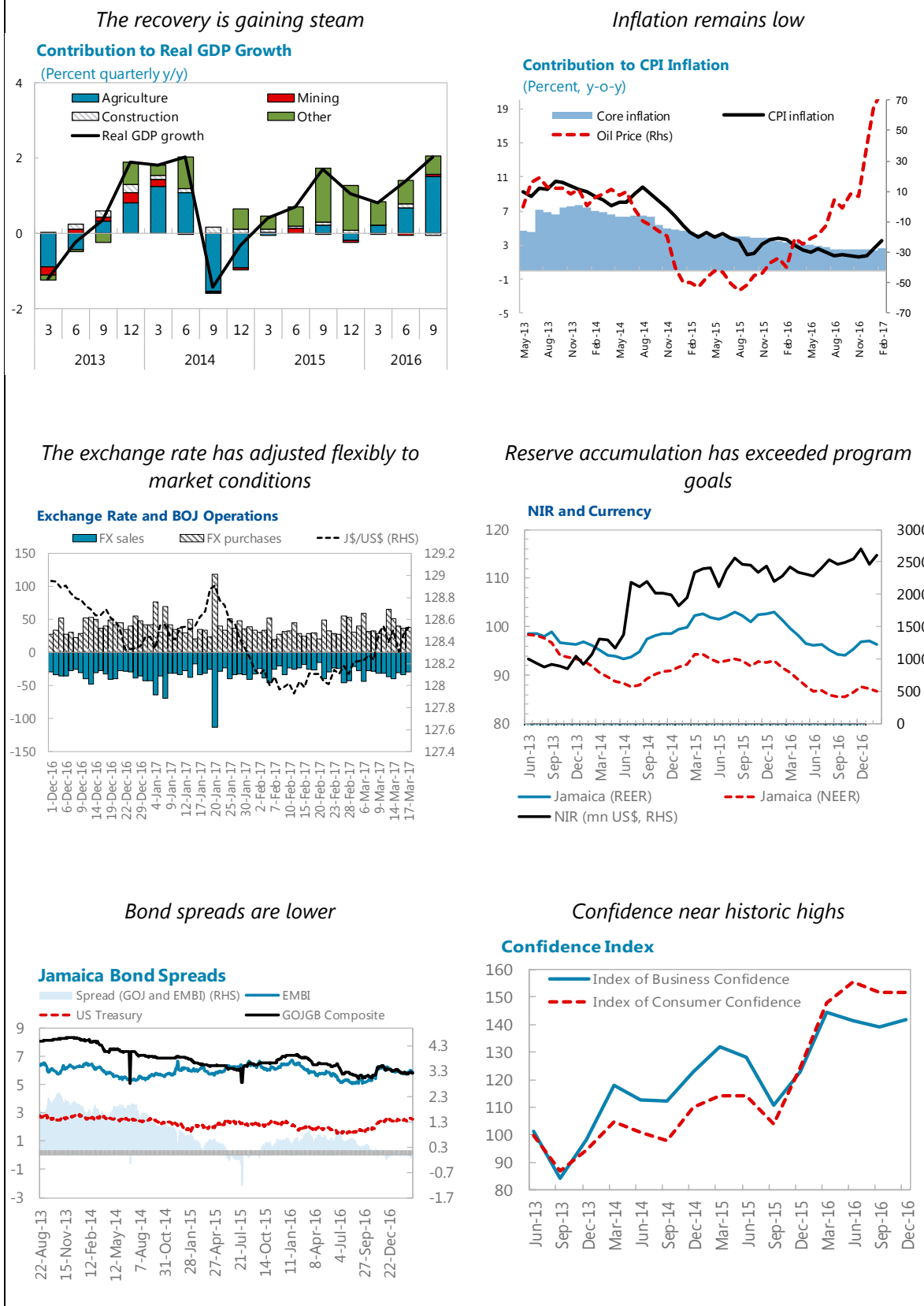


6. **The financial sector appears resilient.** Banks’ capital adequacy ratio at December 2016 was 14.9, well above the regulatory minimum of 10. Loan loss provisioning was 116.6 percent in December 2016, an increase of 9.8 percent (y/y). Meanwhile, the NPL ratio to total loans further declined to 2.9 percent, the lowest since 2008. Banks remain profitable, with a pre-tax profit margin of 26.7 percent in December 2016. Deposit dollarization has slightly abated compared to the September quarter, in part by BOJ’s policy actions that equalized the reserve requirement on FX deposits with that for J\$ deposits and stopped remunerating reserve requirements on FX deposits.



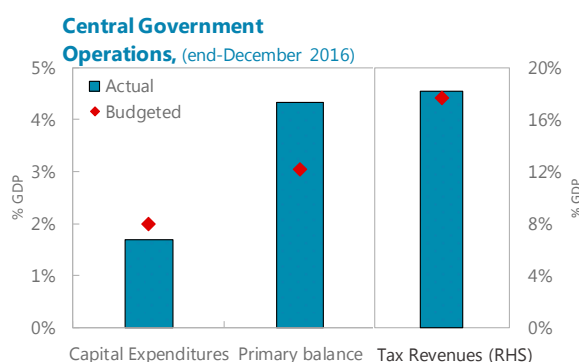
7. **Maintaining social support for the government’s reform program will be critical.** Improvements in growth prospects and declining unemployment should garner broader social support for government policies. However, upcoming wage negotiations and efforts to streamline the size of the public sector could create new social and political risks. Such reforms, therefore, need to be carefully planned, managed and communicated to the broader public. External shocks (e.g., uncertainty from U.S. economic policies, more rapid pace of Fed normalization, unanticipated spikes in oil prices) also present potentially adverse risks to the economy.

Figure 1. Steadily Improving Macroeconomic Outcomes



PROGRAM IMPLEMENTATION REMAINS STRONG

8. **All but one quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December were met.** The primary balance over-performed the target by J\$23 billion, mostly from strong tax revenues (J\$22 billion above target). The stock of non-borrowed net international reserves (NIR) exceeded the target by over US\$240 million, and December inflation was 1.7 percent, well within the band for the monetary policy consultation clause. However, delays in paying suppliers' credits by one public body led to a minor breach (amounting to US\$2.2 million or 0.015 percent of GDP) of the December 2016 QPC on non-accumulation of external arrears. The arrears have since been cleared. The breach reflects limited capacity to closely monitor all the 64 public bodies falling under the QPC definition, and highlights the need to assist authorities to develop a reliable reporting and monitoring framework for public bodies. As corrective measures, a risk-based approach to identify problematic public sector entities is being developed, together with a monitoring and reporting framework to ensure that the Ministry of Finance and the Public Service has a centralized view of all payments due to external suppliers by the major public bodies.



Jamaica: Program Monitoring—Quantitative Performance Criteria Under the Stand-By Agreement 1/2/ (in billions of Jamaican dollars)					
	end-December 2016				PC Status end-December 2016
	SBA Approval PCs	Adjusted PCs	Actual	Difference	
Fiscal targets					
<i>Performance Criteria</i>					
1. Primary balance of the central government (floor) 3/	54.0		76.6	22.6	Met
2. Overall balance of the public sector (floor) 3/	-51.5	-47.7	10.7	58.4	Met
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0		-4.1	4.1	Met
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0		0.0	0.0	Met
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0		-4.4	4.4	Met
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0		0.3	-0.3	Not Met
<i>Indicative targets</i>					
7. Tax revenues of the central government (floor) 3/	300.0		322.1	22.1	Met
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	-1.0	2.8	-1.3	4.1	Met
9. Central government spending on social programs (floor) 3/ 7/	16.4		23.2	6.8	Met
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0		0.4	2.6	Met
Monetary targets					
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	1,428	1,419	1,671	243.1	Met
12. <i>Monetary policy consultation clause (in percent)</i>					
Upper band	9.0				
Center inflation target	5.5		1.7		Met
Lower band	1.0				
1/ Targets as defined in the Technical Memorandum of Understanding (TMU). 2/ Based on program exchange rates defined in the TMU. 3/ Cumulative flows from April 1 through March 31. 4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU. 5/ Includes tax refund arrears as stipulated by law. 6/ In millions of U.S. dollars. 7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU). 8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU. 9/ Continuous performance criterion. 10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears. 11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.					

9. **Structural reforms are steadily advancing.** All structural benchmarks through end-February were completed on schedule: (i) the new rates and bands for property taxes using 2013 land valuations was submitted to the Cabinet; (ii) the Financial System Stability Committee was operationalized by finalizing the appointment of two external members; and (iii) a consultation paper on changes to the crisis resolution framework has been issued for public comment.

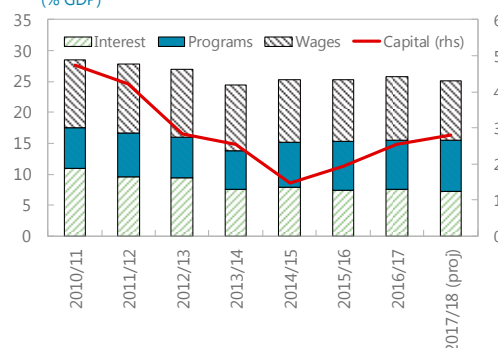
REBALANCING FISCAL PRIORITIES

A. The FY2017/18 Budget

10. **The budget targets a primary surplus of 7 percent of GDP.** The allocation continues to shift public resources towards priority areas such as infrastructure, health, and social spending.

- *Capital expenditures are budgeted to rise by 0.2 percent of GDP relative to the expected outturn in FY16/17, largely directed to improving roads and utilities.*
- *The wage bill remains at 9.6 percent of GDP, incorporating a modest salary increase and J\$2 billion (0.1 percent of GDP) to settle back-pay owed to public workers.*
- *Protecting the vulnerable.* Total social spending is higher by 47 percent in FY17/18 (0.2 percent of GDP), allocated broadly equally in nominal terms between the government's conditional cash transfer program (PATH) and the school feeding program. While PATH's base coverage is still low—warranting a medium-term reform of Jamaica's social safety net (Box 1)—this increase is a first step in strengthening the safety net and helps protect the vulnerable from the ongoing shift to indirect taxes. Finally, drawing on the World Bank's assistance, the PATH graduation program is expected to begin this year, providing recipients with job search support and training. Meanwhile, public health spending is about 6 percent higher in real terms.
- *A contingency reserve of around 1 percent of GDP.* The government is prudently setting aside money for unforeseen circumstances, including natural disasters and other expense or revenue shocks. The authorities are also prepared, if needed, to deploy other revenue and spending measures to safeguard the fiscal targets and ensure resource adequacy for capital, security and social spending.

Composition of Public Expenditure, (% GDP)



11. **The government continues to rebalance from direct to indirect taxes.** Phase II of the personal income tax reform begins April 1, 2017, when the exemption threshold will rise from J\$1,000,272 to J\$1,500,096. The revenue loss will be offset by a tax package that in part broadens the GCT base and introduces a carbon-related tax. The government is developing a policy framework to bring earmarked revenues that are partitioned in various public bodies into the consolidated budget fund. As a first step, funds from three entities will be permanently de-earmarked in FY17/18 (*new structural benchmark June 2017*). This will improve transparency and spending prioritization, consistent with the broader public financial management (PFM) reform (Box 2).

Phase II of PIT reforms	
	% GDP
Alcohol excise from J\$1120 to J\$1230	0.02
Tobacco excise from J\$14 to J\$17	0.04
Fuels SCT	0.40
Electricity GCT exemption threshold to 150kwh	0.08
GCT on group health	0.10
Withholding tax on general insurance premia	0.05
Motor vehicle and license fees	0.02
<i>Total from tax measures</i>	<i>0.72</i>
Lower allocation to local government (due to higher property taxes)	-0.11
Increased PATH spending	0.11

B. Fiscal Risks

12. **Better control over public bodies.** In January, the government had to on-lend US\$27 million (0.2 percent of GDP) to settle the arrears of the Clarendon Alumina Production (CAP), further highlighting the need for better monitoring and control over public bodies. To this end, the government has:

- Established a contractual repayment schedule between CAP and the central government, with a view to fully repay by June 2019.
- Established a program ceiling on the accumulation of new domestic arrears for 7 large public bodies including CAP, the National Water Commission, Jamaican Urban Transit Company, Housing Agency of Jamaica, Urban Development Corporation, National Road Operating and Constructing Company, and the National Health Fund (*new structural benchmark*). In addition, the Ministry of Finance will complete a financial operations and fiscal risks analysis for these entities by end-March 2018.
- Proposed to expand the government's statement of fiscal risks to include these 7 public bodies starting in September 2017.

13. **Sectoral tax incentives.** The recent decision to provide discretionary waivers by further widening leftover exemptions on the bauxite levy created a revenue loss of over 0.1 percent of GDP per year, leaving the bauxite sector undertaxed and potentially undermining the hard-earned gains from the elimination of a range of tax incentives in 2014. Staff stressed that Jamaica should continue striving for a broad-based tax system with transparent and equal rules, while avoiding discretionary waivers for particular sectors or industries. Authorities noted that the recent changes are part of a tax regime overhaul for extractive industries where the sector will shift towards profit taxation in the medium term.

A LEANER, MORE EFFICIENT PUBLIC SECTOR

14. **Establishing a more transparent, rules-based framework for employment and compensation.** The full review and audit of the allowances received by public sector workers, along with an employment verification exercise are underway. The findings will feed into the negotiation framework for the upcoming public sector wage negotiations. The GOJ will also (i) submit to Cabinet a medium-term compensation policy that revises the performance-based merit increases to better align them with the existing performance management appraisal system, and (ii) institute clear rules for hiring, promotion, and exit (*both new structural benchmarks end-September 2017*). Discussions will begin in 2017 on the scope for standardizing public sector pay scales across spending agencies.

15. **Pension reform remains a priority.** A draft bill that undertakes parametric reforms was submitted to parliament in July 2016. The main changes include (i) introducing a mandatory contribution of 5 percent, (ii) lowering benefits and (iii) using the last 5 years of salary (instead of just the last salary) for the calculation of retirement benefits. The government remains committed to passing this law for FY17/18.

16. **The government will streamline the public sector by:**

- Spring-boarding off the reformed pension law, roll-out an early retirement program for eligible public sector workers and an outreach strategy to ensure employees are fully informed on their pension rights if they choose to retire early.
- Introducing rules and safeguards (i) to govern the replacement of employees that have left public service (including through the early retirement program) and (ii) for rehiring public sector employees as consultants after their retirement (*new structural benchmarks end-May 2017*).
- Sharing corporate services in human resources, communications, and internal audit across spending agencies, and identifying affected positions with an associated transition plan.
- Closing and reintegrating six small public entities, and concluding the operational merger of three entities (*new structural benchmarks end-October 2017*).
- Submitting a time-bound plan to Cabinet for re-integrating into the central government all eligible public bodies, consistent with PFM principles and the policy on public bodies (*new structural benchmark end-July 2017*).

SUSTAINING MONETARY AND FINANCIAL RESILIENCE

A. Building the Foundations for Inflation Targeting

17. **The central bank reiterated its commitment to the inflation anchor underpinning the Stand-By Arrangement.** Staff indicated that a loosening bias is warranted, noting that uncertainty

around the inflation path in the face of unexpected changes in oil prices and agricultural production was increasing the risk of inflation remaining in the bottom half of the authorities' target band over the medium-term. The BOJ recognized this risk, particularly in the context of the slow demand recovery. Nevertheless, they believed there were upside risks to oil prices and, thus, did not see an immediate need to lower the policy rate. They would, however, continually evaluate their stance as inflation prospects evolve.

18. Efforts are underway to further boost central bank autonomy and improve monetary operations. The BOJ is taking the following steps to further shift toward inflation targeting:

- Revising the BOJ Act in consultation with the MOFPS to further strengthen the BOJ's governance, accountability, and operational autonomy. A proposal will be submitted to the Cabinet (*new structural benchmark end-August 2017*), with a view to submitting the revised law to parliament by February 2018.
- Fully transitioning the BOJ policy rate from the 30-day CD to the overnight rate by June 2017. In early-March 2017, the BOJ narrowed the interest rate corridor from the current 425 bps to 300 bps by reducing the overnight lending rate from 7.25 percent to 7 percent and raising the overnight deposit rate from 3 to 4 percent.
- Further strengthening the current liquidity forecasting framework including through greater collaboration with the Accountant General's Department which has responsibility for the government's cash forecasting.

19. The government's continued commitment to exchange rate flexibility is an important component to successfully move to inflation targeting. As such, the BOJ is committed to limiting FX sales to smoothing excessive currency market volatility. To further strengthen FX markets through greater price discovery and transparency, the BOJ will establish multiple-price FX auctions, by June 2017, as a market-based exchange rate pricing mechanism for BOJ buying and selling (Box 3). In this regard, the BOJ is working to further improve its high-frequency forecasting of FX flows from corporates, banks, exchange houses, and securities dealers, as well as improved monitoring of the banks' net open FX positions.

B. Further Improving Financial Sector Resilience

20. Reforms are being pursued to further strengthen the financial sector. In particular:

- *Crisis resolution.* At end-February, the authorities issued a crisis resolution framework paper for public consultation. Public comments will be incorporated and a proposal will be submitted to Cabinet (*new structural benchmark end-July 2017*), with legislation to be submitted to parliament by end-July 2018.

- *Strengthening the regulatory and supervisory regime*, by implementing, with ongoing IMF technical support, a risk-based supervision framework for insurance companies and securities dealers.
- *Reassessing the current limits on FX investments by securities dealers, insurers and pension funds* taking into consideration the potential impact on the BOJ's FX reserves and broader financial stability.
- *Countering dollarization*. The authorities intend to increase the share of J\$ public debt and deepen J\$ instruments' liquidity. By April 2017, the FX reserve requirement will be further increased from 12 to 15 percent, while leaving it unchanged for J\$, to discourage deposit dollarization. The BOJ is committed to gradually reducing its stock of US\$ CDs issued to banks, to reduce the incentives for financial institutions to issue US\$ liabilities. The BOJ will instead rely more on building reserves through outright market purchases.

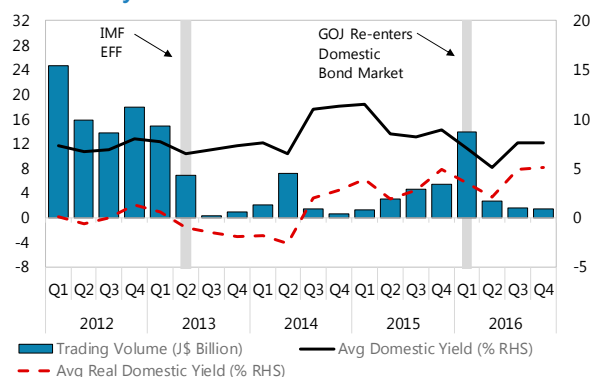
21. **The BOJ is working to address the AML/CFT deficiencies identified in the recent CFATF Mutual Evaluation Report.** Recognizing the risk that this may result in a loss of some of Jamaica's correspondent banking relationships, the authorities intend to improve oversight for the money service business sector and strengthen transparency of the beneficial ownership of legal entities.

22. **Mitigating securities dealers' balance sheet risks.** All securities dealers are now required to submit regular stress test results to the FSC, and full compliance with the Master Retail Repo Agreements is expected by May 2017. The FSC and the BOJ will, by end-June 2017, complete a study on a systemically safe level of retail repos, including the appropriate retail repo leverage ratio, with the goal to finalize the implementation plan by end-September 2017. By end-December 2017 a plan will be developed to introduce a ceiling on single and group counterparty exposures, attending to their implications for financial stability and credit growth.

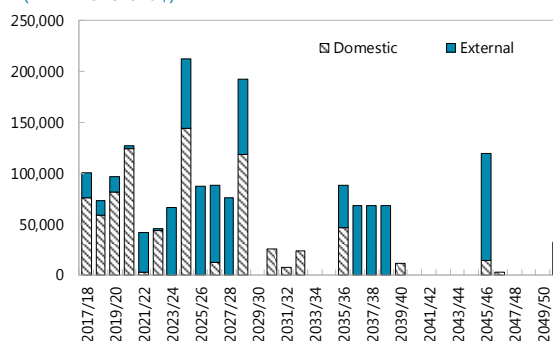
23. **Reforms are underway to deepen the local sovereign debt market.** The domestic bond market successfully reopened in February 2016, but secondary market trading remains shallow. Reforms to revitalize the debt market include:

- Upgrading the primary dealer (PD) system to ensure that PD commitments and privileges in government bonds incentivize market making, with technical support from the IMF and the World Bank.
- Publishing a debt market development strategy.
- Expanding T-bill issuance to anchor the yield curve and provide accurate benchmark rates.
- Manage refinancing risks (particularly the spike of J\$64 billion in maturities in May 2017) through preemptive public debt issuance and liquidity management operations by the BOJ (drawing on the experience from a similar lumpy redemption in February 2016).

Secondary Government Bond Market Activities



Jamaica: Redemption Profile of Bonds (in millions of J\$)



PRIORITIZING GROWTH

24. Steps are being taken to improve financial inclusion to spur private sector-led growth.

The establishment of the financial inclusion council is on track for end-March 2017; it will be responsible for overseeing the implementation of the government's financial inclusion strategy. The Development Bank of Jamaica has doubled its partial credit guarantee program to help expand credit to the medium, small and micro enterprises, particularly in agriculture. The government is pursuing a banking competition review, expected to be completed by end-December, to help identify the primary determinants of the relatively high intermediation margins in Jamaica and recommend policies to help reduce credit costs, particularly for smaller enterprises.

25. Implementation of proposals made by the Economic Growth Council is advancing.

In security, there was a J\$2 billion allocation in the supplementary budget for FY16/17 to fund capital purchases. Regulatory reviews and changes are ongoing to speed up health inspections for exports and imports. Regulations to streamline procurement procedures will be instituted in May 2017. Next steps include a comprehensive review of several laws that govern crime and corruption, accelerating the development approval process, and creating a framework to scale up the sales of government assets.

IMPROVING DATA STANDARDS

26. **Jamaica currently covers 14 out of the 15 indicators for e-GDDS.** The launch of the National Summary Data Page in February 2017 made Jamaica the first Caribbean country to attain the first threshold of e-GDDS. With IMF technical assistance, the authorities are committed to completing the work on general government accounts, labor market data, and production volume indices with a goal to subscribe to the SDDS by end-December 2018.

PROGRAM ISSUES

27. **Performance criteria for end-December 2017, indicative targets for March 2018, and new structural benchmarks are proposed.** QPCs for end-June 2017 have been modestly adjusted to align them with the FY17/18 budget and macroeconomic framework. Considering capacity constraints in monitoring external and domestic arrears, staff also proposes modifying the following PCs: (i) converting the ceiling on central government accumulation of domestic arrears and the ceiling on central government accumulation of tax refund arrears from continuous to periodic QPCs, and (ii) narrowing the coverage for non-accumulation of external debt payment arrears to include the central government and only a subset of the self-financed public bodies.

28. **Safeguards assessment.** An updated BOJ safeguards assessment found a relatively strong framework, especially in financial reporting, the audit mechanisms, and controls. The Bank's financial statements, which are published, are transparent and audited by a reputable firm. Internal audit is risk-based and independent. Notwithstanding these safeguards, staff recommended legal amendments to further strengthen the central bank's governance arrangements (*new structural benchmark end-February 2018*), which will be further developed with IMF technical support.

29. **The program is fully financed and Jamaica's capacity to repay the Fund remains adequate.**

In addition to the authorities' strong program commitment, civil society-based monitoring arrangements for the program have been expanded to include the Public Sector Transformation Oversight Committee (PSTOC) and the Economic Growth Council (EGC)—in addition to the Economic Program Oversight Committee (EPOC) which was created under the prior Extended Arrangement under the EFF—further strengthening domestic ownership.

Public Borrowing Program (In US\$ million)

	2016/17	2017/18	2018/19
Financing Needs	1567	1379	1003
Uses of debt financing			
Budget financing	1567	1379	1003
Financing Sources			
Short-Term	348	294	251
Medium/Long-Term	1239	976	852
Deposits drawdown	-20	110	-100

STAFF APPRAISAL

30. **Growth prospects are improving.** Positive growth has been recorded for 7 consecutive quarters, supported by agriculture, construction and tourism. Domestic confidence indicators are at an all-time high, inflation is subdued, and unemployment is on a modest decline. The continued pursuit of the government's reform program should help attract private investment and bolster growth and job creation.

31. **A more efficient tax system and better public resource allocation are important for continued consolidation of Jamaica's still vulnerable fiscal position.** Implementation of Phase II of the rebalancing from direct to indirect taxes will further expand the tax base and increase work

incentives. The gradual and systematic shift of earmarked tax revenues and fees from public bodies into the consolidated fund will improve the government's ability to prioritize and allocate resources. The broader effort to reduce the number of public bodies will improve governance and transparency, and mitigate fiscal risks. Better monitoring and reporting by the major public bodies is essential to ensure that the Ministry of Finance has a centralized view of all payments due to external suppliers. Lastly, a return to discretionary tax incentives to specific sectors and businesses must be avoided. In line with the reforms launched under the 2014 Omnibus bill on tax incentives, the authorities should persist with a single, low-rate, and broad-based tax regime that levels the playing field across economic activities, and a supporting business climate to improve competitiveness, and growth.

32. **A leaner and more efficient public sector is key to shifting resources towards growth-enhancing capital and social spending.** A sustained downward path in the wage bill will ensure that Jamaica's limited fiscal resources are available for much needed capital and social spending. This lower wage bill should be achieved by strengthening budgetary controls, taking a conservative approach to public sector nominal wage increases, and instituting steps to redefine the size of government. In this regard, the legislation to modernize the public sector pension system is critical to the government's strategy—through its effects on encouraging the retirement of eligible public sector workers—and should not be delayed.

33. **The higher allocation for social spending will help shelter the most vulnerable from the impact of the shift to indirect taxes.** As a next step, implementation of the PATH graduation strategy later this year will help release scarce resources to the neediest families and facilitate recipients' transition back into productive employment. The planned targeting assessment will provide the basis to improve the targeting and expand the coverage of social benefits.

34. **Achieving the central bank's inflation objectives may require lower policy rates in the coming months, but this will depend on the evolution of incoming data.** Notwithstanding the modest scope for reducing policy interest rates, the balance of risks around the inflation path—including from the tax package and from potentially higher oil prices—underpins the authorities' cautious approach. That said, if monetary policy is slow to react in the face of sustained low inflation, this could hamper achieving the BOJ's inflation objectives, unnecessarily erode credibility, and create an avoidable cost to growth. Revising the BOJ Act will help improve the central bank's operational autonomy and further strengthen its credibility.

35. **A market-determined and flexible exchange rate remains essential.** The BOJ's FX sales should be limited to smoothing excess volatility in the FX market. The BOJ's planned move toward a transparent, market-based exchange rate pricing mechanism for the BOJ to buy and sell FX via auctions will modernize the central bank's toolkit, allow it to build reserves through market-based purchases, and improve price discovery in the FX market.

36. **Further strengthening financial sector resilience remains a priority.** Continued efforts to mitigate remaining risks on the securities dealers' balance sheets are essential, as is the work that is

already underway to develop a robust crisis resolution framework. Addressing deficiencies identified in the recent Mutual Evaluation Report will be key to strengthening Jamaica's AML/CFT framework.

37. **The authorities have a proven commitment to their economic reform program.**

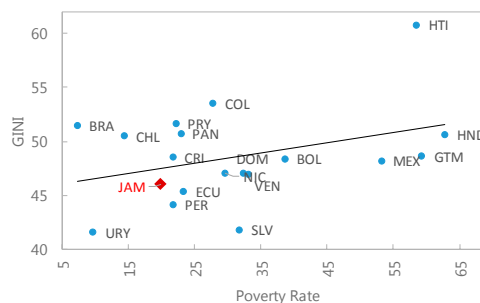
Sustained macroeconomic discipline and visible reforms have boosted stability and confidence. As such, with performance under the Fund-supported program remaining exemplary, staff fully supports the authorities' requests for waivers on the continuous performance criterion on the non-accumulation of external debt payment arrears and the completion of the first review under the Stand-By Arrangement.

Box 1. Poverty and Social Safety Net

Jamaica’s poverty and inequality levels are relatively low for LAC, but children and women are vulnerable¹.

At 19.9 percent for 2012, Jamaica’s poverty rate is similar to Costa Rica and Peru. Jamaica’s GINI is the 5th lowest in the region. Poverty incidence is mostly in rural areas, among children, and in female-headed families which combine vulnerable factors such as lower levels of income, higher likelihood of children, and higher dependency ratios.

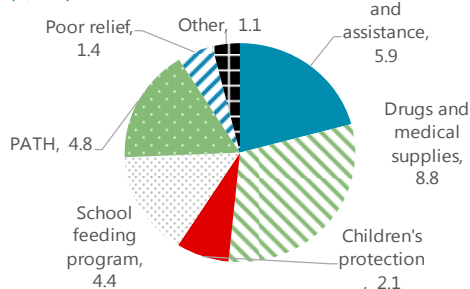
LAC: Inequality and Poverty Rates



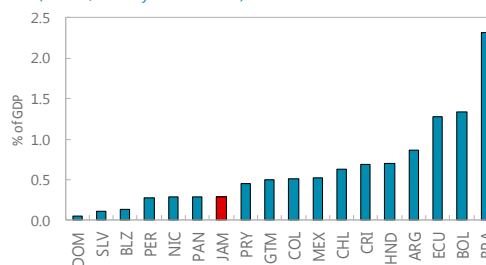
Weaker education and labor market outcomes among the poor.

Unemployment rates for people below the poverty line are nearly double the overall rate (25 percent vs about 13 percent). Income earners below the poverty line mostly engage in lower income jobs in agriculture (25 percent); retail and equipment repair (20 percent); construction (11 percent); and domestic work (about 9 percent). Among poor households, only 27 percent of heads have secondary schooling or more, versus 45 percent among non-poor household heads.

Composition of social spending (J\$ bn)



Expenditure on social cash transfers, (% GDP, latest year available)



Challenges for Jamaica’s social safety net. Jamaica currently has several well-targeted social safety net programs including the flagship PATH, the School Feeding Program, Poor Relief, and programs for school, healthcare, and drug subsidies. Nevertheless, challenges remain:

- *Disproportional distribution:* while many programs target children, those under 5, who represent about 12 percent of the poor, only receive 2.4 percent of total social spending.
- *Low generosity:* PATH benefits cover only about 12 percent of education-related expenditures, while the flat rate portion of the average weekly NIS pension benefit is less than half the minimum wage.
- *Fragmentation:* Although the government consolidated cash programs in 2000 into PATH, older programs remain, and new programs have since been created across different ministries, with similar target groups and action areas.
- *Exit:* The forthcoming implementation of the PATH graduation strategy is a key step in a holistic approach towards permanent exit from poverty and sustainability of the PATH.

1/ Poverty and GINI data are from the World Bank’s World Development Index database. Caution is needed in cross-country comparison as poverty is measured at national poverty lines and the lack of income data for some LAC countries (including Jamaica) means that some GINI measures are derived from consumption data and may be underestimated.

Box 2. Public Bodies: Earmarked Revenues and Cash Balances

Proliferation of public bodies. Jamaica currently has 181 public bodies, with about 70 classified as “self-financed”, i.e. generate at least 50 percent of their funding through earmarked taxes and fees, and commercial activities. The current expenses of “self-financed” public bodies is equivalent to about three-quarters of the central government: they generate revenues (from a combination of sales, taxes, fees, and investments) of 21 percent of GDP and incur expenditures of about 19 percent of GDP.

Earmarked taxes and fees. Among the self-financed public bodies, 6 collect earmarked tax revenues and 18 collect fees. These vary from a set percentage of payroll tax (HEART) or SCT (NHF) or a levy on international phone calls terminating in Jamaica (USF), to a standard tourist entry fee (TEF). In FY15/16, the combined collection was about J\$65 billion, or over 14 percent of central government total revenues and nearly 4 percent of GDP (the world average is about 3 percent of GDP). If these revenues were included, Jamaica’s (already high) tax burden would reach nearly 30 percent of GDP.

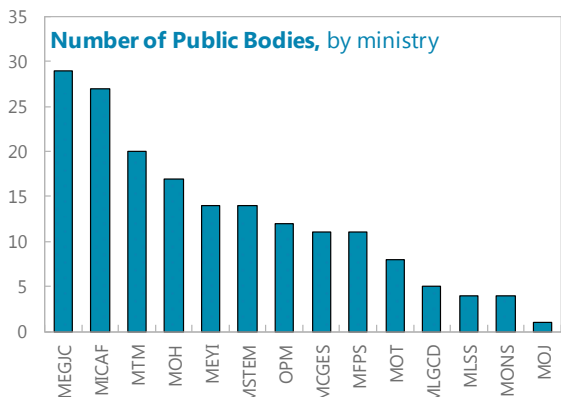
Cash balances. While current laws and statutes provide significant autonomy for public bodies (especially those self-financed), their proliferation impedes effective public sector financial and cash management. The outflows in many entities are smaller than their yearly inflows, generating cash surpluses. While these balances generate interest income for the public body, the current budget practices and PFM structure allow little flexibility to re-allocate these resources to the central government’s high priority areas. Thus, while public bodies run cash surpluses, the central government potentially incurs borrowing and interest costs or levies more taxes. Moreover, these public bodies are entitled to have commercial bank accounts, which further hinders consolidated effective cash management.

Risks and reforms. The proliferation of public bodies and earmarking of tax revenues and fees outside the consolidated fund has increased the potential for:

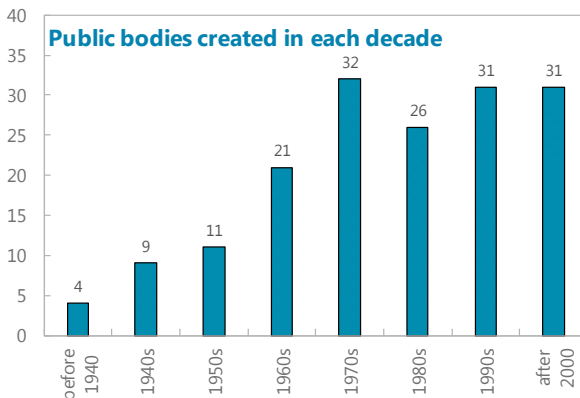
- (i) *fiscal risks* since public bodies are not fully included in macro-fiscal plans, thus presenting unexpected budget demands. A transparent system to quantify and compensate public bodies for implicit subsidies and other quasi-fiscal activities would partly address these risks,
- (ii) *distortions in resource allocation* because of earmarked public revenues and entrenched funding earmarked decades ago, and misaligned with current policy priorities (e.g. crime and security), and
- (iii) *higher costs* because small public bodies cannot achieve economies of scale.

Box 2. Public Bodies: Earmarked Revenues and Cash Balances (Concluded)

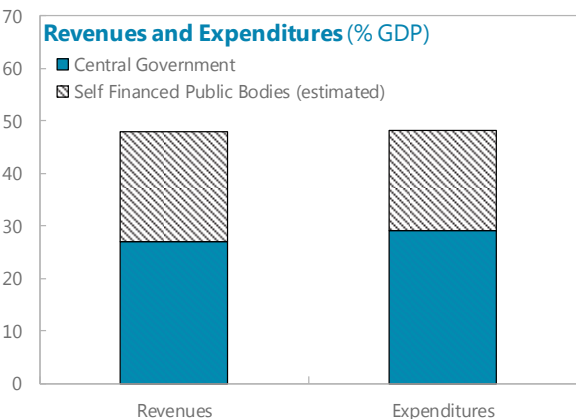
Jamaica has a significant number of public bodies...



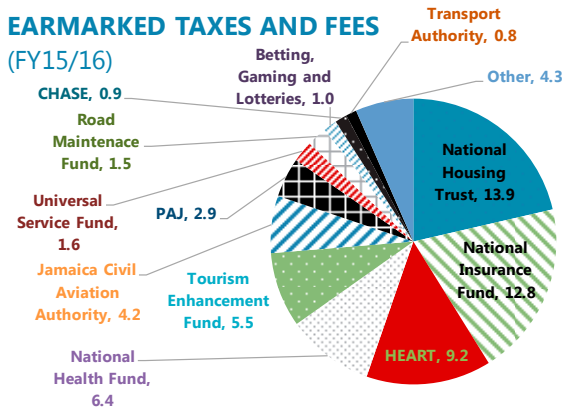
... created over many decades...



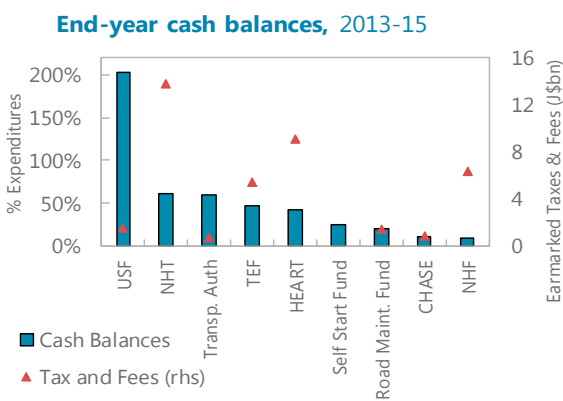
... which now match the central government's size in both revenues and expenditures.



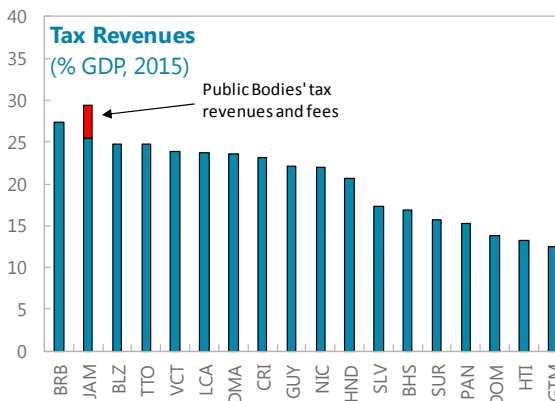
Among the self-financed public bodies (SFPB), some collect sizable earmarked taxes and fees (65bn in 15/16)...



... and hold large cash balances (about 10bn total by end-year) while central government borrows or levies new taxes...



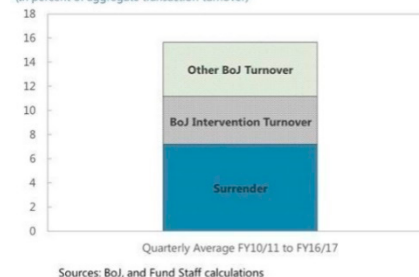
... adding to an already high tax burden.



Box 3. Modernizing the Foreign Exchange Market

The BOJ plays a significant intermediation role in the FX market through three channels: (i) reserve accumulation through surrender requirements on all purchases from clients by authorized dealers and cambios; (ii) FX sales to help public sector enterprises meet their FX obligations; and (iii) periodic FX market intervention to smooth excess volatility. The BOJ's aggregate FX market involvement is 15.7 percent of total market turnover, creating an important influence on the weighted average selling rate (WASR) for the entire FX market—including the exchange rate at which non-BOJ intermediated interbank FX transactions take place.

BoJ Presence in the Foreign Exchange Market
(In percent of aggregate transaction turnover)

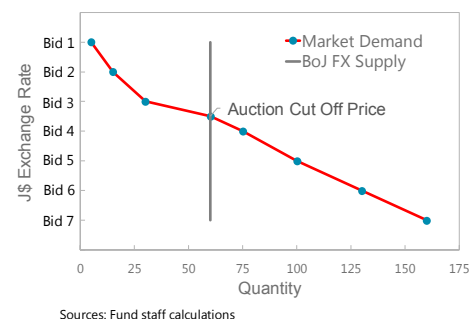


A market-based mechanism to determine the exchange rate used in BOJ transactions will help increase transparency and enhance market efficiency. International experience suggests that FX auctions help improve market-based price formation, especially when the central bank participates regularly on the FX market. Previous IMF technical assistance has recommended that the BOJ introduce pre-announced and regularly scheduled competitive FX auctions into its toolkit. Using FX auctions, the BOJ can continue to help manage market liquidity, fostering competitive bidding for the BOJ's foreign reserves and enhancing transparency of BOJ transactions. For example, in lieu of the previous day's WASR, depending on the auctions' frequency, auction results could provide a basis for a market-based reference rate for entities transacting with the BOJ.

The mechanics and frequency of actual multi-price FX auctions will be tailored to suit Jamaica's FX market.

Upcoming IMF technical assistance will help define an appropriate design for FX auctions, that can be used for buying or selling FX by the BOJ—based on the best price allocation methodology (see figure for an illustrative auction). Same day public disclosure of auction results will help market participants gain a clear view of FX market supply and demand.

Illustrative Foreign Exchange Auction



FX auctions could generate market efficiency gains. As auction prices begin to reflect FX market supply and demand, there should be an incentive for (i) potentially more market competition for FX sales/purchases through the auctions, (ii) increased interbank market transparency, or (iii) potentially both. The BOJ could also reduce its role in intermediating public sector entity FX flows, and gradually phase out surrender requirements.

Reaping these benefits requires careful sequencing. Significant BOJ outreach and consultation efforts, including drawing parallels with already existing 14-day repo auctions, will help acquaint FX market intermediaries with the auction format. Continued enhancement of BOJ capacity to forecast FX market flows will also help set the stage for the BOJ's reduced role as a market intermediary for public enterprises and aid its gradual step-back from surrender requirements.

Steps to take for a more market-based mechanism for BOJ interaction with the market include:

- Updating existing prudential regulations on financial institutions' net open FX positions;
- Strengthening the BOJ's capacity to forecast future FX flows and identification of major FX exposures;
- Building a clear communication strategy with FX dealers and public, including widely publicizing the auction results; and
- Introducing guidelines governing FX market operations and trading, including a code of conduct, appropriate quotation conventions, hours of operation and settlement rules.

Table 1. Jamaica: Selected Economic Indicators 1/

	2013/14		Prel. 2014/15		Prog. 2015/16		2016/17		Projections		
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
Population (2013): 2.8 million					Per capita GDP (2014): US\$4967						
Quota (current; millions SDRs/% of total): 382.9/0.08%					Literacy rate (2011)/Poverty rate (2012): 86.4%/19.9%						
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar					Unemployment rate (Oct. 2016): 12.9%						
(Annual percent change, unless otherwise indicated)											
GDP and prices											
Real GDP	1.0	0.2	1.1	1.7	1.7	2.1	2.5	2.7	2.8	2.8	
Nominal GDP	9.2	7.5	7.6	4.6	4.0	6.7	7.9	8.3	8.5	8.5	
Consumer price index (end of period)	8.3	4.0	3.0	4.8	4.0	5.0	5.5	5.5	5.5	5.5	
Consumer price index (average)	9.4	7.2	3.4	2.9	2.3	4.5	5.3	5.5	5.5	5.5	
Exchange rate (end of period, J\$/US\$)	109.6	115.0	122.0	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	103.9	113.1	118.8	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	10.8	5.0	6.1	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-3.5	-0.2	-2.4	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	9.1	7.0	5.8	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	7.9	7.8	6.3	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	13.4	14.2	13.3	...	...	...	...	...	...	...
(In percent of GDP)											
Government operations											
Budgetary revenue	27.1	26.2	27.0	27.4	27.9	28.6	27.2	26.9	26.7	26.4	
Of which: Tax revenue 4/	23.6	23.6	24.5	25.4	25.6	25.5	25.4	25.3	25.3	25.1	
Budgetary expenditure	27.0	26.7	27.2	28.0	28.8	29.0	27.3	26.4	26.4	25.6	
Primary expenditure	19.5	18.7	19.8	20.5	20.9	21.6	20.2	20.0	20.2	19.9	
Of which: Wages and salaries	10.1	9.7	9.6	9.6	9.6	9.6	9.0	8.9	8.7	8.7	
Interest payments	7.5	8.0	7.4	7.6	7.9	7.4	7.1	6.4	6.2	5.8	
Budget balance	0.1	-0.5	-0.3	-0.6	-0.9	-0.3	-0.1	0.5	0.3	0.7	
Of which: Central government primary balance	7.6	7.5	7.1	7.0	7.0	7.0	7.0	7.0	6.5	6.5	
Public entities balance	0.0	0.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Public sector balance	0.1	0.4	1.6	-0.6	-0.9	-0.3	-0.1	0.5	0.3	0.7	
Public debt (FRL definition) 4/ 6/	...	...	...	118.3	115.2	108.5	102.7	93.7	86.3	80.8
Public debt (EFF definition) 5/ 7/	140.5	137.6	120.2	123.9	122.5	115.8	108.9	99.5	91.2	84.6	
External sector											
Current account balance	-8.7	-7.0	-1.7	-2.8	-3.0	-3.2	-3.3	-3.2	-3.2	-3.1	
Of which: Exports of goods, f.o.b.	10.6	10.1	8.6	8.3	8.8	9.1	8.9	8.6	8.3	8.1	
Exports of services	14.3	15.5	14.8	15.6	15.8	14.9	14.3	14.1	13.9	13.6	
Imports of goods, f.o.b.	37.5	36.3	30.0	31.8	32.6	33.6	33.2	32.5	31.8	31.2	
Imports of services	18.8	19.8	19.5	21.2	21.4	21.7	21.5	21.3	20.9	20.6	
Net international reserves (US\$ millions)	1,304	2,294	2,416	2,536	2,699	3,177	3,437	3,621	3,782	3,837	
of which: non-borrowed	714	1,335	1,470	1,570	1,876	2,371	2,655	2,871	3,033	3,110	
(Changes in percent of beginning of period broad money)											
Money and credit											
Net foreign assets	18.7	27.9	10.1	5.7	10.2	13.5	8.7	6.8	6.2	4.0	
Net domestic assets	-12.6	-22.3	8.6	-1.1	-6.2	-6.8	-0.8	1.5	2.3	4.4	
Of which: Credit to the private sector	8.2	3.1	8.2	8.4	8.0	9.1	9.7	10.2	10.8	11.3	
Credit to the central government	-3.1	-15.2	5.5	-2.0	-0.1	2.2	-0.1	1.1	-0.5	-2.0	
Broad money	6.1	5.7	18.7	4.6	4.0	6.7	7.9	8.3	8.5	8.5	
Memorandum item:											
Nominal GDP (J\$ billions)	1,462	1,572	1,691	1,769	1,759	1,877	2,025	2,194	2,380	2,581	
Sources: Jamaican authorities; and Fund staff estimates and projections.											
1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.											
2/ The new methodology uses trade weights for Jamaica that also incorporate trade in services especially tourism.											
3/ As of January 31.											
4/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BoJ.											
5/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013											
6/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17. A backward series is not available since consistent data on public bodies' debt holdings is not available prior to FY16/17.											
7/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt. The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.											

Table 2. Jamaica: Summary of Central Government Operations

(In millions of Jamaican dollars)

	2013/14	2014/15	Prel.	Prog.	Projections					
			2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budgetary revenue and grants	396,982	411,716	455,836	485,438	491,243	537,181	551,053	591,215	635,952	681,012
Tax	344,848	370,878	413,971	448,641	450,276	478,409	513,430	554,336	601,013	648,061
<i>Of which:</i>										
Income and profits	112,648	120,854	130,760	125,581	128,783	122,244	132,387	142,413	154,353	168,251
<i>Of which:</i> Other companies	35,155	35,903	42,282	46,119	47,049	51,691	57,438	62,856	70,214	78,435
PAYE	62,811	67,818	71,966	62,424	63,724	51,436	55,490	60,123	65,205	70,718
Production and consumption	115,214	120,421	133,557	141,183	143,867	159,946	170,105	184,237	201,613	217,540
<i>Of which:</i> GCT (Local)	61,265	63,995	72,745	76,865	76,440	85,757	91,591	99,237	110,855	120,227
International Trade	113,892	127,238	144,706	176,415	172,308	192,679	207,121	223,554	240,570	257,417
<i>Of which:</i> GCT (Imports)	51,238	58,471	65,806	77,534	75,333	81,759	88,644	97,005	106,258	116,393
Non-tax 1/	41,705	35,821	36,401	31,223	35,155	54,420	32,705	31,668	29,288	26,822
Grants	10,429	5,018	5,463	5,574	5,812	4,352	4,918	5,211	5,652	6,129
Budgetary expenditure	395,242	419,491	460,720	496,122	507,537	543,691	552,839	579,427	628,182	661,706
Primary expenditure	285,322	294,474	335,040	362,307	368,089	405,407	409,705	438,066	481,278	513,261
Compensation of employees	159,662	162,128	172,628	181,141	179,933	193,185	196,120	210,133	222,776	240,012
Wage and salaries 6/	146,995	152,563	162,026	170,341	168,635	179,427	182,255	195,276	207,026	224,528
Employer contributions	9,366	9,565	10,601	10,800	11,298	13,758	13,866	14,856	15,750	15,485
Programme expenditure	91,972	112,697	133,506	138,065	146,156	162,940	158,908	168,692	182,355	190,664
Capital expenditure	36,989	23,019	32,747	43,100	42,000	49,283	54,676	59,241	76,147	82,585
Interest	109,919	125,016	125,680	133,815	139,447	138,284	143,134	141,361	146,905	148,445
Domestic	68,729	75,756	71,391	62,996	63,342	64,182	62,765	60,796	60,657	62,285
External	41,191	49,260	54,288	70,819	76,105	74,102	80,369	80,565	86,247	86,160
Budget balance	1,740	-7,775	-4,884	-10,684	-16,294	-6,510	-1,785	11,788	7,770	19,306
<i>Of which:</i> Primary budget balance	111,659	117,242	120,796	123,131	123,153	131,773	141,349	153,149	154,674	167,751
Public entities balance	106	13,749	31,199	0	0	0	0	0	0	0
Public sector balance	1,846	5,975	26,315	-10,684	-16,294	-6,510	-1,785	11,788	7,770	19,306
Principal repayments	105,196	85,283	312,923	179,580	180,392	173,796	132,976	157,408	190,279	109,514
Domestic	77,695	25,285	216,043	31,141	35,381	105,783	77,015	99,802	143,497	19,313
External	27,501	59,999	96,881	148,440	145,010	68,013	55,961	57,606	46,782	90,201
Gross financing needs	103,456	93,058	317,807	190,264	196,685	180,306	134,761	145,620	182,509	90,208
Gross financing sources	103,456	93,058	317,807	190,264	196,685	180,306	134,761	145,620	182,509	90,208
Domestic	52,211	42,306	34,978	76,618	70,747	80,965	102,377	72,710	121,218	63,487
<i>Of which:</i> compensatory flows from PCDF	...	...	5,938	14,477	14,535	11,607	15,561	16,021	16,506	17,034
External	57,619	116,944	267,766	126,528	128,449	84,963	45,822	52,158	39,911	44,129
<i>Of which:</i> Official	57,619	40,059	30,231	34,006	35,162	41,828	32,385	24,488	18,530	14,710
Divestment + deposit drawdown	-6,374	-66,193	15,063	-12,881	-2,510	14,378	-13,438	20,752	21,381	-17,407
Memorandum items:										
Nominal GDP (billion J\$)	1,462	1,572	1,691	1,769	1,759	1,877	2,025	2,194	2,380	2,581
Public sector debt (FRL definition, billion J\$) 2/ 4/	...	...	...	2,094	2,026	2,038	2,080	2,057	2,053	2,085
<i>Of which:</i> Direct debt	...	...	...	1,980	1,969	1,988	2,024	2,008	2,004	2,036
Public sector debt (EFF definition, billion J\$) 3/ 5/	2,054	2,163	2,033	2,192	2,155	2,173	2,204	2,184	2,170	2,184

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ From 2015/16, includes interest receipts from the PetroCaribe Development Fund to reimburse funds from the PetroCaribe debt buyback.

2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BoJ.

3/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013

4/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17. A backward series is not available since consistent data on public bodies' debt holdings is not available prior to FY16/17.

5/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt. The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.

6/ Includes base wage and backpay.

Table 3. Jamaica: Summary of Central Government Operations

(In percent of GDP)

	2013/14	2014/15	Prel.	Prog.	Projections					
			2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budgetary revenue and grants	27.1	26.2	27.0	27.4	27.9	28.6	27.2	26.9	26.7	26.4
Tax	23.6	23.6	24.5	25.4	25.6	25.5	25.4	25.3	25.3	25.1
<i>Of which:</i>										
Income and profits	7.7	7.7	7.7	7.1	7.3	6.5	6.5	6.5	6.5	6.5
<i>Of which:</i> Other companies	2.4	2.3	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0
PAYE	4.3	4.3	4.3	3.5	3.6	2.7	2.7	2.7	2.7	2.7
Production and consumption	7.9	7.7	7.9	8.0	8.2	8.5	8.4	8.4	8.5	8.4
<i>Of which:</i> GCT (Local)	4.2	4.1	4.3	4.3	4.3	4.6	4.5	4.5	4.7	4.7
International Trade	7.8	8.1	8.6	10.0	9.8	10.3	10.2	10.2	10.1	10.0
<i>Of which:</i> GCT (Imports)	3.5	3.7	3.9	4.4	4.3	4.4	4.4	4.4	4.5	4.5
Non-tax 1/	2.9	2.3	2.2	1.8	2.0	2.9	1.6	1.4	1.2	1.0
Grants	0.7	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Budgetary expenditure	27.0	26.7	27.2	28.0	28.8	29.0	27.3	26.4	26.4	25.6
Primary expenditure	19.5	18.7	19.8	20.5	20.9	21.6	20.2	20.0	20.2	19.9
Compensation of employees	10.9	10.3	10.2	10.2	10.2	10.3	9.7	9.6	9.4	9.3
Wage and salaries 6/	10.1	9.7	9.6	9.6	9.6	9.6	9.0	8.9	8.7	8.7
Employer contribution	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.6
Programme expenditure	6.3	7.2	7.9	7.8	8.3	8.7	7.8	7.7	7.7	7.4
Capital expenditure	2.5	1.5	1.9	2.4	2.4	2.6	2.7	2.7	3.2	3.2
Interest	7.5	8.0	7.4	7.6	7.9	7.4	7.1	6.4	6.2	5.8
Domestic	4.7	4.8	4.2	3.6	3.6	3.4	3.1	2.8	2.5	2.4
External	2.8	3.1	3.2	4.0	4.3	3.9	4.0	3.7	3.6	3.3
Budget balance	0.1	-0.5	-0.3	-0.6	-0.9	-0.3	-0.1	0.5	0.3	0.7
<i>Of which:</i> Primary budget balance	7.6	7.5	7.1	7.0	7.0	7.0	7.0	7.0	6.5	6.5
Public entities balance	0.0	0.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	0.1	0.4	1.6	-0.6	-0.9	-0.3	-0.1	0.5	0.3	0.7
Principal repayments	7.2	5.4	18.5	10.2	10.3	9.3	6.6	7.2	8.0	4.2
Domestic	5.3	1.6	12.8	1.8	2.0	5.6	3.8	4.5	6.0	0.7
External	1.9	3.8	5.7	8.4	8.2	3.6	2.8	2.6	2.0	3.5
Gross financing needs	7.1	5.9	18.8	10.8	11.2	9.6	6.7	6.6	7.7	3.5
Gross financing sources	7.1	5.9	18.8	10.8	11.2	9.6	6.7	6.6	7.7	3.5
Domestic	3.6	2.7	2.1	4.3	4.0	4.3	5.1	3.3	5.1	2.5
<i>Of which:</i> compensatory flows from PCDF	...	...	0.4	0.8	0.8	0.6	0.8	0.7	0.7	0.7
External	3.9	7.4	15.8	7.2	7.3	4.5	2.3	2.4	1.7	1.7
<i>Of which:</i> Official	3.9	2.5	1.8	1.9	2.0	2.2	1.6	1.1	0.8	0.6
Divestment + deposit drawdown	-0.4	-4.2	0.9	-0.7	-0.1	0.8	-0.7	0.9	0.9	-0.7
Memorandum items:										
Nominal GDP (billion J\$)	1,462	1,572	1,691	1,769	1,759	1,877	2,025	2,194	2,380	2,581
Public sector debt (FRL definition, billion J\$) 2/ 4/	...	...	...	2,094	2,026	2,038	2,080	2,057	2,053	2,085
Public sector debt (EFF definition, billion J\$) 3/	2,054	2,163	2,033	2,192	2,155	2,173	2,204	2,184	2,170	2,184
Public sector debt (FRL definition) 2/ 4/	...	...	...	118.3	115.2	108.5	102.7	93.7	86.3	80.8
<i>Of which:</i> Direct debt	...	...	...	116.1	111.9	105.9	99.9	91.5	84.2	78.9
Public sector debt (EFF definition) 3/ 5/	140.5	137.6	120.2	123.9	122.5	115.8	108.9	99.5	91.2	84.6

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ From 2015/16, includes interest receipts from the PetroCaribe Development Fund to reimburse funds from the PetroCaribe debt buyback.

2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BoJ.

3/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013

4/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17. A backward series is not available since consistent data on public bodies' debt holdings is not available prior to FY16/17.

5/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt.

The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.

6/ Includes base wage and backpay.

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars						In percent of GDP					
	2012/13	2013/14	2014/15	2015/16	2016/17	Dec-16	2012/13	2013/14	2014/15	2015/16	2016/17	Dec-16
Operating balance selected public entities 1/	60.6	16.6	36.5	55.4	56.4	55.5	4.5	1.1	2.3	3.3	3.2	3.2
<i>Of which:</i>												
Airports Authority of Jamaica	1.1	1.2	1.5	3.6	3.7	3.1	0.1	0.1	0.1	0.2	0.2	0.2
Caymanas Track Limited	0.0	0.0	0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-1.1	-10.1	-2.8	-0.8	2.8	2.3	-0.1	-0.7	-0.2	0.0	0.2	0.1
Development Bank of Jamaica	0.3	0.4	0.5	0.4	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	1.1	0.7	2.0	2.2	1.6	1.4	0.1	0.0	0.1	0.1	0.1	0.1
Housing Agency of Jamaica	-0.1	-0.4	-0.4	0.7	-0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.0	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	-0.8	0.2	-2.4	-1.4	-1.4	-1.6	-0.1	0.0	-0.2	-0.1	-0.1	-0.1
National Housing Trust	29.6	4.3	18.9	18.7	17.0	16.5	2.2	0.3	1.2	1.1	1.0	0.9
National Insurance Fund	4.8	1.4	1.7	2.3	2.2	1.0	0.4	0.1	0.1	0.1	0.1	0.1
NROCC	-3.3	-2.8	-5.7	-3.9	-2.3	-4.1	-0.2	-0.2	-0.4	-0.2	-0.1	-0.2
National Water Commission	8.0	0.8	3.5	5.3	5.9	3.9	0.6	0.1	0.2	0.3	0.3	0.2
Petrojam Ethanol	0.7	0.1	-0.5	-0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Petrojam	15.5	14.7	12.9	24.4	28.6	25.0	1.2	1.0	0.8	1.4	1.6	1.4
Petroleum Corporation of Jamaica	1.5	0.9	1.4	-0.7	-0.4	1.9	0.1	0.1	0.1	0.0	0.0	0.1
Port Authority of Jamaica	3.7	3.8	5.5	4.9	1.2	6.1	0.3	0.3	0.4	0.3	0.1	0.3
Urban Development Corporation	-0.4	0.6	0.3	-0.1	-2.7	-0.6	0.0	0.0	0.0	0.0	-0.2	0.0
Net current transfers from the central government	-15.2	-19.1	-22.6	-29.2	-33.1	-25.0	-1.1	-1.3	-1.4	-1.7	-1.9	-1.4
<i>Of which:</i>												
Airports Authority of Jamaica	-0.2	-0.1	-0.2	-0.7	-0.6	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	3.4	1.7	0.0	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.0
Development Bank of Jamaica	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	-0.7	-0.5	-0.9	-1.3	-0.9	-1.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Housing Agency of Jamaica	1.4	1.6	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	2.7	4.6	8.0	3.0	2.2	2.5	0.2	0.3	0.5	0.2	0.1	0.1
National Housing Trust	-4.0	-11.4	-11.4	-11.4	-11.4	-8.6	-0.3	-0.8	-0.7	-0.7	-0.6	-0.5
National Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NROCC	3.0	3.4	5.2	4.3	3.7	4.6	0.2	0.2	0.3	0.3	0.2	0.3
National Water Commission	1.0	0.7	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Petrojam Ethanol	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam	-21.3	-18.8	-23.2	-24.0	-26.3	-20.9	-1.6	-1.3	-1.5	-1.4	-1.5	-1.2
Petroleum Corporation of Jamaica	-0.7	-0.6	-0.7	0.7	0.0	-1.6	0.0	0.0	0.0	0.0	0.0	-0.1
Port Authority of Jamaica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Urban Development Corporation	0.1	0.3	0.5	0.2	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance selected public entities	3.7	-14.2	-4.7	16.0	-11.8	15.9	0.3	-1.0	-0.3	0.9	-0.7	0.9
<i>Of which:</i>												
Airports Authority of Jamaica	0.0	0.1	0.7	2.3	2.1	2.2	0.0	0.0	0.0	0.1	0.1	0.1
Caymanas Track Limited	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	0.8	-8.5	-4.0	-0.9	0.7	1.0	0.1	-0.6	-0.3	-0.1	0.0	0.1
Development Bank of Jamaica	0.3	0.1	0.5	0.3	0.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	-0.2	0.3	1.0	0.5	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Housing Agency of Jamaica	-1.3	-1.0	-0.7	0.1	-0.1	0.4	-0.1	-0.1	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.0	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	0.2	0.1	0.3	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Housing Trust	2.4	-4.7	0.1	4.0	-1.8	4.4	0.2	-0.3	0.0	0.2	-0.1	0.3
National Insurance Fund	4.7	1.4	1.7	2.3	2.1	1.0	0.4	0.1	0.1	0.1	0.1	0.1
NROCC	-0.5	0.1	-1.2	0.1	0.6	0.3	0.0	0.0	-0.1	0.0	0.0	0.0
National Water Commission	-0.7	-4.5	-2.8	-0.7	-1.8	-0.4	-0.1	-0.3	-0.2	0.0	-0.1	0.0
Petrojam Ethanol	-0.5	0.1	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam	-5.9	-5.0	-4.8	5.0	-1.2	1.5	-0.4	-0.3	-0.3	0.3	-0.1	0.1
Petroleum Corporation of Jamaica	0.5	-0.4	0.6	0.0	-0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Port Authority of Jamaica	3.0	3.7	4.1	4.1	-8.1	5.2	0.2	0.3	0.3	0.2	-0.5	0.3
Urban Development Corporation	-0.5	0.6	-0.3	-1.1	0.2	-0.5	0.0	0.0	0.0	-0.1	0.0	0.0
Overall balance other public entities	-1.8	14.3	18.5	15.2	11.8	18.3	-0.1	1.0	1.2	0.9	0.7	1.0
Overall balance public entities	1.9	0.1	13.7	31.2	0.00	34.2	0.1	0.0	0.9	1.8	0.0	1.9

Sources: Jamaican authorities; and Fund staff estimates.

1/ The operating balance is defined as current revenues minus current expenditures after adjustments from accrual accounting to cash basis.

Table 5. Jamaica: Summary Balance of Payments

(In millions of U.S. dollars)

	2013/14	2014/15	Prel.	Prog.	Projections					
			2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Current account	-1,231	-971	-248	-393	-421	-454	-503	-505	-532	-544
Trade balance	-3,778	-3,645	-3,053	-3,330	-3,338	-3,516	-3,668	-3,783	-3,919	-4,047
Exports (f.o.b.)	1,495	1,402	1,220	1,170	1,230	1,309	1,336	1,363	1,393	1,428
Imports (f.o.b.)	5,274	5,047	4,273	4,500	4,568	4,826	5,004	5,146	5,312	5,475
Fuel (cif)	2,158	1,759	1,043	1,001	1,168	1,370	1,384	1,395	1,429	1,478
Exceptional imports (including FDI-related)	322	294	456	502	471	440	500	510	505	460
Other	2,794	2,995	2,775	2,997	2,929	3,016	3,120	3,241	3,378	3,537
Services (net)	669	790	967	1,056	1,087	1,127	1,179	1,235	1,290	1,349
Transportation	-702	-635	-576	-630	-614	-649	-673	-691	-711	-731
Travel	1,915	2,105	2,204	2,277	2,307	2,400	2,488	2,573	2,662	2,755
Of which: Tourism receipts	2,096	2,314	2,444	2,523	2,554	2,656	2,754	2,852	2,953	3,057
Other services	-544	-680	-661	-591	-607	-624	-636	-648	-661	-675
Income (net) 4/	-318	-345	-490	-523	-580	-562	-566	-565	-568	-569
Current transfers (net)	2,197	2,229	2,328	2,404	2,410	2,497	2,553	2,608	2,665	2,723
Government (net)	204	150	182	186	186	190	194	198	202	206
Private (net)	1,993	2,079	2,146	2,218	2,224	2,308	2,359	2,411	2,463	2,518
Capital and financial account	1,649	1,961	261	514	682	932	763	688	693	599
Capital account (net)	-26	-19	1,421	-28	-28	-28	-28	-28	-28	-28
Financial account (net) 1/	1,675	1,980	-1,160	542	710	959	790	716	721	627
Direct investment (net)	511	590	942	840	484	624	653	651	659	665
Central government (net) 5/	241	600	1,599	-175	-132	130	-75	-39	-48	-313
Of which: IFIs	376	181	231	217	214	235	35	35	30	30
Other official (net) 2/ 5/	356	78	-2,835	-63	32	-58	-56	-56	-12	-10
Of which: PetroCaribe	369	161	-2,932	30	12	0	0	0	0	0
Portfolio investment (net)	567	713	-866	-60	326	264	269	161	122	285
Overall balance	418	990	13	120	261	478	260	184	161	55
Financing	-418	-990	-13	-120	-261	-478	-260	-184	-161	-55
Change in gross reserves (- increase)	-330	-641	-205	-200	-379	-462	-199	-90	-45	70
Change in arrears	0	0	0	0	0	0	0	0	0	0
Financing gap	-88	-349	191	79	118	-15	-60	-94	-116	-126
IMF 3/	-26	-163	74	79	118	-15	-60	-94	-116	-126
Disbursements	346	259	119	79	118	0	0	0	0	0
Repayments	-372	-422	-45	0	0	-15	-60	-94	-116	-126
Memorandum items:										
Gross international reserves	2,049	2,690	2,894	3,129	3,274	3,736	3,936	4,025	4,070	3,999
(in weeks of prospective imports of GNFS)	14.4	19.3	23.4	24.5	25.3	27.5	28.0	27.8	27.2	26.0
Net international reserves	1,304	2,294	2,416	2,536	2,699	3,177	3,437	3,621	3,782	3,837
of which: non-borrowed	714	1,335	1,470	1,570	1,876	2,371	2,655	2,871	3,033	3,110
Current account (percent of GDP)	-8.7	-7.0	-1.7	-2.8	-3.0	-3.2	-3.3	-3.2	-3.2	-3.1
Exports of goods (percent change)	-14.2	-6.2	-13.0	-1.8	0.8	6.5	2.0	2.1	2.2	2.5
Imports of goods (percent change)	-7.3	-4.3	-15.3	5.8	6.9	5.6	3.7	2.8	3.2	3.1
Oil prices (composite, fiscal year basis)	103.7	83.3	46.1	44.9	48.2	55.5	54.9	54.1	54.1	54.6
Tourism receipts (percent change)	2.0	10.4	5.6	2.9	4.5	4.0	3.7	3.5	3.5	3.5
GDP (US\$ millions)	14,080	13,902	14,238	...	...	...	...	...	...	...
Jamaican dollar/USD, period average	104	113	119	...	...	...	...	...	...	...

Sources: Jamaican authorities; and Fund staff estimates.

1/ Includes estimates of a partial payment for the sales of a rum company in 2008/09.

2/ Includes the new general SDR allocation in 2009/10.

3/ Negative indicates repayment to the IMF.

4/ Starting FY2011/12, interest payments to non-residents were adjusted to reflect resident holdings of GOJ global bonds.

5/ In 2015/16, projections reflect inflows and outflows associated with the PetroCaribe debt buyback.

Table 6. Jamaica: Summary Accounts of the Bank of Jamaica 1/

	2013/14	2014/15	Prel.	Prog.	Projections					
			2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
(In billions of Jamaican dollars)										
End-of-period stocks 1/										
Net foreign assets	143	264	295	325	348	421	469	508	547	574
Net domestic assets	-48	-163	-175	-202	-226	-286	-320	-348	-373	-385
Net claims on public sector	195	112	44	100	111	103	96	113	136	115
Net claims on central government	75	17	40	27	37	52	38	59	80	63
Net claims on rest of public sector	130	102	-6	75	75	57	66	62	64	63
Operating losses of the BOJ	-10	-8	10	-2	-1	-6	-8	-8	-8	-10
Net credit to commercial banks	-21	-24	-28	-20	-27	-36	-39	-42	-46	-50
<i>Of which: foreign prudential reserve</i>	-21	-24	-28	-20	-27	-36	-39	-42	-46	-50
Net credit to other financial institutions	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3
Open market operations	-31	-39	-58	-132	-156	-187	-198	-222	-249	-216
Other items net (incl. valuation adj.)	-189	-210	-130	-148	-151	-163	-177	-193	-211	-231
<i>Of which: Valuation adjustment</i>	-61	-70	-75	-92	-96	-107	-122	-138	-155	-175
Base money	94	101	120	123	122	135	148	161	174	189
Currency in circulation	54	59	70	59	58	62	65	69	72	76
Liabilities to commercial banks	41	42	50	64	64	73	83	92	102	113
Fiscal year flows 1/										
Net foreign assets	55.4	121.0	30.9	30.4	53.4	72.5	47.8	39.7	39.0	26.4
Net domestic assets	-52.3	-114.4	-12.0	-27.8	-51.6	-59.4	-34.5	-27.3	-25.4	-11.6
Net claims on public sector	-17.7	-82.6	-67.7	55.2	66.5	-8.3	-6.3	16.5	23.1	-20.4
Net claims on central government	-7.4	-57.4	22.5	-12.9	-2.5	14.4	-13.4	20.8	21.4	-17.4
Net credit to commercial banks	-1.5	-2.5	-4.6	8.0	1.4	-8.8	-3.1	-3.4	-3.7	-4.1
Net credit to other financial institutions	0.0	-0.1	-0.6	0.0	0.0	-0.2	-0.1	-0.2	-0.1	-0.2
Open market operations	23.8	-8.3	-18.9	-73.8	-98.7	-30.7	-10.4	-24.4	-27.0	33.1
Other items net (incl. valuation adj.)	-56.9	-20.8	79.8	-17.4	-20.9	-11.5	-14.5	-15.9	-17.7	-20.0
Base money	3.1	6.7	18.9	2.5	1.8	13.1	13.4	12.4	13.6	14.7
Currency in circulation	3.0	4.9	11.7	-11.8	-12.2	3.9	3.0	3.5	3.7	3.9
Liabilities to commercial banks	0.2	1.7	7.2	14.3	14.0	9.2	10.3	8.9	9.8	10.8
(Change in percent of beginning-of-period Base Money)										
Net foreign assets	60.7	128.2	30.6	25.3	44.5	59.5	35.5	26.7	24.2	15.1
Net domestic assets	-57.3	-121.1	-11.9	-23.2	-43.0	-48.8	-25.6	-18.4	-15.8	-6.7
Net claims on public sector	-19.4	-87.4	-67.0	46.0	55.4	-6.8	-4.6	11.1	14.4	-11.7
Net credit to commercial banks	-1.7	-2.6	-4.5	6.7	1.2	-7.2	-2.3	-2.3	-2.3	-2.3
Net credit to other financial institutions	0.1	-0.1	-0.6	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Open market operations	26.0	-8.8	-18.7	-61.5	-82.2	-25.2	-7.7	-16.4	-16.8	19.0
Other items net (incl. valuation adj.)	-62.3	-22.1	78.9	-14.5	-17.4	-9.5	-10.8	-10.7	-11.0	-11.5
Base money	3.4	7.0	18.7	2.1	1.5	10.8	9.9	8.3	8.5	8.5
Currency in circulation	3.3	5.2	11.6	-9.9	-10.1	3.2	2.2	2.3	2.3	2.3
Liabilities to commercial banks	0.2	1.8	7.2	12.0	11.7	7.6	7.7	6.0	6.1	6.2
Memorandum items:										
Change in net claims on the central government (percent of GDP)	-0.5	-3.7	1.3	-0.7	-0.1	0.8	-0.7	0.9	0.9	-0.7

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Fiscal year runs from April 1 to March 31.

Table 7. Jamaica: Summary Monetary Survey 1/

			Prel.	Prog.	Projections					
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
(In billions of Jamaican dollars)										
End-of-period stocks 1/										
Net foreign assets	191	309	353	383	407	481.5	532.6	575.5	617.9	647.8
Net domestic assets	229	136	174	169	141	103.8	98.8	108.6	124.1	156.8
Net claims on public sector	268	188	117	181	191	178.2	179.4	176.0	166.8	148.6
<i>Of which:</i> Central government 2/	173	109	134	123	133	144.9	144.2	151.4	148.1	132.9
Open market operations	18	14	15	-91	-100	-152.3	-193.9	-235.2	-267.8	-326.5
Credit to private sector	326	339	376	420	418	468.0	524.8	589.5	663.1	746.9
<i>Of which:</i> Foreign currency	84	77	84	89	87	89.8	92.9	96.1	99.6	103.4
Other	-383	-407	-335	-341	-369	-390.2	-411.5	-421.7	-438.1	-412.2
<i>Of which:</i> Valuation adjustment	-61	-70	-75	-89	-92	-100.9	-112.6	-125.3	-139.2	-154.4
Liabilities to private sector (M3)	421	444	527	552	549	585.3	631.4	684.1	742.0	804.7
Money supply (M2)	261	273	310	325	323	346.4	371.5	401.9	435.3	470.7
Foreign currency deposits	160	171	217	227	226	238.9	259.9	282.2	306.7	333.9
Fiscal year flows 1/										
Net foreign assets	74.1	117.4	44.9	29.9	53.9	74.2	51.1	42.9	42.4	29.9
Net domestic assets	-50.0	-93.6	38.0	-5.5	-32.6	-37.4	-4.9	9.8	15.5	32.8
Net claims on public sector	-25.4	-79.5	-71.3	63.5	74.3	-13.1	1.1	-3.4	-9.1	-18.2
<i>Of which:</i> Central government	-12.4	-63.9	24.3	-10.6	-0.7	11.9	-0.7	7.2	-3.3	-15.2
Open market operations	54.4	-3.8	0.9	-106.4	-115.3	-52.4	-41.5	-41.3	-32.6	-58.7
Credit to private sector	32.3	13.2	36.5	44.3	42.4	49.6	56.8	64.7	73.6	83.8
<i>Of which:</i> Foreign currency	2.4	-7.3	7.7	4.6	2.7	2.8	3.1	3.2	3.5	3.8
Other 2/	-111.3	-23.5	72.0	-6.9	-34.0	-21.6	-21.3	-10.2	-16.4	25.9
<i>Of which:</i> Valuation adjustment	-3.9	-8.9	-5.4	-13.8	-16.7	-9.3	-11.8	-12.7	-13.9	-15.3
Liabilities to private sector (M3)	24.1	23.8	82.9	24.3	21.3	36.7	46.1	52.7	57.8	62.7
Money supply (M2)	8.4	12.7	37.2	14.3	12.5	23.4	25.2	30.3	33.4	35.5
Foreign currency deposits	15.7	11.1	45.7	10.0	8.8	13.4	20.9	22.4	24.5	27.3
(Change in percent of beginning-of-period M3)										
Net foreign assets	18.7	27.9	10.1	5.7	10.2	13.5	8.7	6.8	6.2	4.0
Net domestic assets	-12.6	-22.3	8.6	-1.1	-6.2	-6.8	-0.8	1.5	2.3	4.4
Net claims on public sector	-6.4	-18.9	-16.0	12.0	14.1	-2.4	0.2	-0.5	-1.3	-2.5
<i>Of which:</i> Central government	-3.1	-15.2	5.5	-2.0	-0.1	2.2	-0.1	1.1	-0.5	-2.0
Open market operations	13.7	-0.9	0.2	-20.2	-21.9	-9.5	-7.1	-6.5	-4.8	-7.9
Credit to private sector	8.2	3.1	8.2	8.4	8.0	9.1	9.7	10.2	10.8	11.3
<i>Of which:</i> Foreign currency	0.6	-1.7	1.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5
Other 2/	-28.1	-5.6	16.2	-1.3	-6.5	-3.9	-3.6	-1.6	-2.4	3.5
<i>Of which:</i> Valuation adjustment	-1.0	-2.1	-1.2	-2.6	-3.2	-1.7	-2.0	-2.0	-2.0	-2.1
Liabilities to private sector (M3)	6.1	5.7	18.7	4.6	4.0	6.7	7.9	8.3	8.5	8.5
Memorandum items:										
M3/monetary base	4.5	4.4	4.4	4.5	4.5	4.3	4.3	4.3	4.3	4.3
M3 velocity	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2

Sources: Bank of Jamaica; and Fund staff estimates and projections.

1/ Fiscal year runs from April 1 to March 31.

2/ Includes net credit to nonbank financial institutions, capital accounts, valuation adjustment, securities sold under repurchase agreements and net unclassified assets.

Table 8. Jamaica: Financial Sector Indicators 1/

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016Q3
Balance sheet growth (y/y)										
Capital	11.5	14.7	13.8	5.1	5.3	4.0	18.3	7.4	8.5	12.3
Loans	28.7	24.2	5.3	-1.4	4.8	12.9	14.1	6.6	9.4	18.9
NPLs	14.2	57.6	68.0	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.1
Liquidity										
Domestic currency liquid assets 2/	25.0	30.3	31.3	36.2	30.5	26.7	26.3	31.5	26.5	26.4
Asset Quality										
Prov. for loan losses/NPLs	103.4	87.2	75.7	69.9	75.2	90.3	95.7	101.6	106.7	117.2
NPLs/loans	2.3	2.9	4.7	6.5	8.9	7.0	5.4	5.0	4.1	3.5
Capital Adequacy										
NPLs/Capital+Prov. for loan losses	9.1	12.3	17.7	20.2	28.4	24.1	18.6	17.4	14.6	11.5
Capital Adequacy Ratio (CAR)	16.0	15.2	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.5
Profitability (calendar year) 3/										
Pre-tax profit margin	26.7	26.3	21.4	21.1	30.8	21.4	19.0	18.9	19.5	-
Return on average assets	3.4	3.5	2.9	2.5	3.9	2.4	2.0	2.1	2.1	2.1
Source: Bank of Jamaica.										
1/ Commercial banks, building societies, and merchant banks.										
2/ Percent of prescribed liabilities										
3/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank. Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively.										

Table 9. Jamaica: Schedule of Reviews and Purchases

Available on or after	Amount of Purchase		Conditions 1/
	SDR millions	% Quota	
November 11, 2016	300.1	78	Approval of Arrangement
March 15, 2017	126.0	33	First Review and end-December 2016 performance criteria
September 15, 2017	126.0	33	Second Review and end-June 2017 performance criteria
March 15, 2018	160.8	42	Third Review and end-December 2017 performance criteria
September 15, 2018	160.8	42	Fourth Review and end-June 2018 performance criteria
March 15, 2019	160.8	42	Fifth Review and end-December 2018 performance criteria
September 15, 2019	160.8	42	Sixth Review and end-June 2019 performance criteria
Total	1195.3	312	
1/ Apart from periodic performance criteria, conditions also include continuous performance criteria.			

Table 10. Jamaica: Structural Program Conditionality

Structural Benchmarks	Timing	Implementation status
Fiscal Reforms		
1 The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	December 31, 2016	Met
Monetary policy and financial sector		
2 Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	November 30, 2016	Met
3 Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	February 28, 2017	Met
4 Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	March 31, 2017	
5 Instituting mechanisms to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations that require "retail repos" to be governed by a MRRA that is signed by both the dealer and the client.	May 30, 2017	
6 Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Proposed
7 Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Proposed
8 To enhance the BoJ's governance framework, submit revisions of the BOJ Act to Parliament to - among other things - improve central bank governance and independence, in line with IMF recommendations. The revisions will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government.	February 28, 2018	Proposed modification
Public Sector Transformation		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	
10 Complete an employee verification exercise. Island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the police department, the NIS, and the non-teaching personnel at the Ministry of Education are ongoing. The verification for all entities in the central government wage bill will be finalized by March 2017.	March 31, 2017	
11 The creation and application of strict unambiguous rules for the decisions of the Post Operations Committee regarding all types of employment including acting. These rules are to establish a percentage reduction rate which effectively controls the rate of employment and creates a sharp downward trajectory whilst ensuring that the public sector is properly resourced.	March 31, 2017	
12 Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	
13 Identify positions that will be affected due to the implementation of shared corporate services in human resources and quantify the implications through the development of a costed transition plan and schedule.	May 30, 2017	
14 Institute rules prohibiting the rehiring of participants in the early retirement program into the public sector for at least 5 years unless the person returns the incentive.	May 30, 2017	Proposed
15 Submit to the Governor General through Cabinet rules and standards for the Public Service Commission for limiting the approval of continued employment after retirement age, including as contract officers.	May 30, 2017	Proposed
16 Submit to parliament all necessary legislative changes to direct all earmarked revenues from the Jamaica Civil Aviation Authority, the Tourism Enhancement Fund, and the CHASE Fund to the consolidated fund.	June 15, 2017	Proposed
17 Submit to Cabinet a time-bound plan to reintegrate eligible public bodies into central government, consistent with the public financial management principles of the policy on public bodies.	July 31, 2017	Proposed
18 Submit to Cabinet a medium-term policy and implementation plan to revise the performance-based merit increases to make them more meaningfully related to the performance management appraisal system	September 30, 2017	Proposed
19 Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Proposed
20 The following entities will be closed: (i) Board of Supervision, (ii) Road Maintenance Fund, (iii) Kingston Waterfront Hotel Company Limited, (iv) Montego Shopping Centre Limited, and (v) Portmore Commercial Development Ltd. In addition, the Children's Registry will be reintegrated into the Child Development Agency.	October 31, 2017	Proposed
21 Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Proposed
22 Identify positions that will be affected due to the implementation of shared corporate services in Public Relations and Communications, and Internal Audit and quantify the implications through the development of a costed transition plan and schedule.	November 30, 2017	
23 The total stock of domestic arrears (as defined in the TMU) of the following public bodies will be capped at J\$6.4 billion during the program period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	Proposed

Table 11. Jamaica: Quantitative Performance Criteria 1/2/
(In billions of Jamaican dollars unless otherwise stated)

	2016			2017				2018	
	Performance Criteria	Adjusted PC	Actual	Indicative Target	Performance Criteria	Proposed Revised Performance Criteria	Indicative Target	Proposed Performance Criteria	Indicative Target
		End-Dec		end-Mar	end-June	end-June	end-Sep	end-Dec	end-Mar
Fiscal targets									
<i>Performance Criteria</i>									
1. Primary balance of the central government (floor) 3/	54.0		76.6	123.0	13.4	15.0	37.0	59.0	130.5
2. Overall balance of the public sector (floor) 3/	-51.5	-47.7	10.7	-17.2	-41.4	-39.2	-46.9	-59.3	-14.8
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0		-4.1	0.0	0.0	0.0	0.0	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0		-4.4	0.0	0.0	0.0	0.0	0.0	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0		0.3	0.0	0.0	0.0	0.0	0.0	0.0
<i>Indicative targets</i>									
7. Tax revenues of the central government (floor) 3/	300.0		322.1	440.0	100.0	100.0	215.0	328.0	473.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	-1.0	2.8	-1.3	3.3	7.6	2.5	2.0	3.5	11.5
9. Central government spending on social programs (floor) 3/ 7/	16.4		23.2	24.3	5.0	6.1	11.2	18.3	26.6
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0		0.4	3.0	3.0	3.0	3.0	3.0	3.0
Monetary targets									
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	1,428	1,419	1,671	1,475	1,521	1,521	1,637	1,777	1,917
12. <i>Monetary policy consultation clause (in percent)</i>									
Upper band	9.0			9.0	9.0	9.0	9.0	9.0	8.0
Center inflation target	5.5		1.7	5.5	5.5	5.5	5.5	5.5	5.5
Lower band	1.0			2.0	2.0	2.0	2.0	2.0	3.0
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).									
2/ Based on program exchange rates defined in the TMU.									
3/ Cumulative flows from April 1 through March 31.									
4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.									
5/ Includes tax refund arrears as stipulated by law.									
6/ In millions of U.S. dollars.									
7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU).									
8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU.									
9/ Continuous performance criterion.									
10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears.									
11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.									

Table 12. Jamaica: Indicators of Fund Credit, 2016-27
(In millions of SDRs, unless otherwise specified)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prospective drawings (4-year EFF)	84.96	...	...	...	...	...	...	...	...	...	...	...
(in percent of quota)	22.19	...	...	...	...	...	...	...	...	...	...	...
Prospective drawings (3-year SBA)	300.10	252.00	321.60	321.60	...	...	...	...	...	...	...	...
(in percent of quota)	78.38	65.81	83.99	83.99	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings) 1/												
Amortization	0.00	11.40	37.11	64.80	205.96	449.57	488.10	322.93	136.42	28.32	9.44	0.00
Amortization (4-year EFF)	0.00	11.40	37.11	64.80	83.68	93.12	93.12	81.73	56.02	28.32	9.44	0.00
Amortization (3-year SBA) 1/	0.00	0.00	0.00	0.00	122.28	356.45	394.98	241.20	80.40	0.00	0.00	0.00
Interest and service charges 1/	1.43	11.90	25.58	34.71	41.86	32.90	14.37	5.21	1.67	0.40	0.09	0.00
GRA surcharges 1/	0.00	3.26	9.92	15.47	21.17	16.18	3.73	0.00	0.00	0.00	0.00	0.00
SDR charges and assessments 1/	0.01	0.21	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.27
Total debt service 1/	2.95	26.26	64.57	101.39	248.09	482.73	502.74	328.40	138.36	28.99	9.80	0.27
(in percent of exports of G&S) 2/	0.10	1.00	2.29	3.35	7.66	14.31	14.12	8.94	3.64	0.74	0.23	0.01
(in percent of GDP) 2/	0.03	0.29	0.75	1.15	2.68	4.96	4.92	3.06	1.23	0.25	0.08	0.00
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings) 1/												
Outstanding stock 1/	858.83	1,099.43	1,383.93	1,640.73	1,434.77	985.20	497.10	174.18	37.76	9.44	0.00	0.00
(in percent of quota)	224.30	287.13	361.43	428.50	374.71	257.30	129.83	45.49	9.86	2.47	0.00	0.00
(in percent of GDP) 2/	9.18	12.20	16.04	18.68	15.52	10.13	4.87	1.62	0.34	0.08	0.00	0.00
Memorandum items:												
Exports of goods and services (US\$ millions) 2/	4,388.38	3,915.53	4,202.50	4,514.96	4,826.61	5,030.65	...	...	...	...	...	...
Debt service as percent of baseline exports	0.10	0.86	2.06	3.13	7.42	13.98	...	...	...	...	...	...
Quota	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90

Source: Fund staff estimates.

1/ Assumes that all eligible purchases under the SBA would be made.

2/ Based on exports of goods and services and GDP under the illustrative adverse scenario in SBA approval staff report 16/350.

Appendix I. Letter of Intent

Kingston, Jamaica
March 29, 2017

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde,

The Government of Jamaica continues to implement its economic reform programme, now supported by a three-year precautionary Stand-By Arrangement (SBA), approved by the Executive Board of the IMF in November last year. We seek to catalyse a positive cycle of growth and job creation with increasing support for our poorest citizens. To achieve these broad objectives, we are re-orienting the budget composition toward growth-enhancing and social spending, while progressively transforming our public sector to make it more efficient and effective. We have also significantly shifted our tax system from direct to indirect taxes and are expanding and improving security spending as crime represents an insidious obstacle to growth in Jamaica.

Cognizant that successful implementation of our broad and ambitious, yet much-needed, policy endeavour requires involvement of all Jamaicans, we have extended the monitoring of the reform programme beyond the now well-known Economic Programme Oversight Committee (EPOC) to include a Public Sector Transformation Oversight Committee (PSTOC) and the Economic Growth Council (EGC). These independent bodies will regularly report to the public on the GOJ's programme implementation, and elicit public debate around the reform programme. This, we believe, will further strengthen domestic ownership and ensure the GOJ's accountability to the Jamaican people.

We remain committed to the steadfast implementation of the policies committed to in our Letter of Intent (LOI) of October 21, 2016. For the first review period ending December 2016, we have met all but one quantitative performance criteria (PCs). There was a small breach of the PC on the non-accumulation of external debt payments arrears, arising from a public body. These arrears have since been cleared. The breach reflects our limited capacity to closely monitor all the 64 public bodies; with IMF support, we are improving reporting and monitoring of public bodies and bolstering controls. Given the minor amount involved and ongoing strong programme implementation, we request a waiver of nonobservance of this PC for the first review under the SBA. The GOJ has also implemented all the structural benchmarks that were included for this review period, and is on track towards delivering on the policy commitments for the review period ahead.

We have passed a budget for FY2017/18 that targets a central government primary surplus of 7 percent of GDP. The structure of the budget is fully consistent with our broad goals to reform our personal income tax, re-orient the budget towards growth-enhancing spending and prioritize social protection. The budget also makes strides in improving public financial management by bringing some earmarked revenues from public bodies into the Consolidated Fund.

In our efforts to institutionalize exchange rate flexibility and develop the interbank market, we, in line with IMF TA recommendations, are planning to introduce multiple-price FX auctions for the Bank of Jamaica to buy and/or sell FX from and to the market.

On the basis of our performance under the programme thus far, and our strong commitment to its continued implementation, the Government requests that the IMF's Executive Board complete the first review of the SBA and approve the modification of PC for end-June 2017. We also request that (i) the PCs on the ceiling on central government accumulation of domestic arrears and the ceiling on central government accumulation of tax refund arrears be converted from continuous monitoring to periodic and (ii) the coverage of the PC on non-accumulation of external debt payments arrears be narrowed to include only the central government and a subset of the self-financed public bodies.

Our Memorandum of Economic and Financial Policies (Attachment 1) details our policy priorities. The Government of Jamaica believes that the policies set forth therein are adequate to achieve its programme objectives at this juncture but stands ready to take any additional measures that may become necessary. We will consult with the Fund on the adoption of these measures, and in advance of any revisions to the policies contained in this memorandum, in accordance with the Fund's policies on such consultation, and will continue to provide Fund staff with all relevant information needed, as outlined in the Technical Memorandum of Understanding (Attachment 2).

Finally, we authorize the IMF to publish this letter, its attachments and the staff report for this first review under the SBA in line with the transparency commitment of our government.

Very truly yours,

/s/

Andrew Holness
Prime Minister

/s/

Audley Shaw
Minister of Finance and the Public Service

/s/

Brian Wynter
Governor, Bank of Jamaica

Attachment I. Memorandum of Economic and Financial Policies

1. **The Government of Jamaica's reform programme, supported by the three-year Stand-By Arrangement, is off to a good start.** The new SBA has allowed us to renew our commitment to macroeconomic stability and to lay out the foundations of our broader policy direction. The reforms aim to increase economic growth and employment opportunities with support from the private sector, protect the poor, improve citizen security and make our government more efficient for the good of the Jamaican people.
2. **Economic growth and confidence are improving.** Jamaica has now recorded 7 consecutive quarters of positive GDP growth, supported mainly by robust agriculture and strong tourist arrivals. Investor confidence is at an all-time high and inflation is at an all-time low.
3. **An updated policy matrix is included at the end of this document.** The matrix highlights policy measures undertaken to date under the SBA and outlines in more detail the specific timetable of measures for which we are accountable, and by which the Jamaican people will judge our performance going forward.

Focusing on Growth and Job Creation

4. **The private sector-led Economic Growth Council (EGC) continues to support the government's growth agenda by identifying specific and time-bound reforms and monitoring their progress.** The process is anchored around eight key areas that were identified through a wide consultation that the EGC held with various stakeholders:
 - Continuing to maintain macroeconomic stability while pursuing debt reduction strategies.
 - Improving citizen security and public safety to ensure a safe business environment to attract domestic and foreign investment.
 - Improving access to finance including reviewing competition and regulatory policies in the financial sector to facilitate lending and investing while maintaining financial stability.
 - Building human capital through labour market reform.
 - Continuing to reduce bureaucracy and red-tape to further improve the business environment.
 - Stimulating better asset utilization through asset sales and privatizations.
 - Enhancing diaspora involvement in economic growth and investment.
 - Catalysing the implementation of strategic projects.

The EGC presented its first public progress report of the government's growth measures in January. We will continue to mobilize Jamaicans around the country's growth agenda and will seek support from the World Bank, the IDB, and other development partners in implementing that ambitious, yet much needed transformation of our economy.

A Bigger Social Safety Net and Better Support for the Poor

5. **Poverty in Jamaica is a critical problem that needs immediate attention.** As a first step, we have expanded the PATH School Feeding Programme to 5 days for PATH beneficiaries and the PATH conditional cash transfer benefits have been increased by about 40 percent in the FY2017/18 budget. We also intend to increase coverage of the bottom quintile of households (by consumption level) in the PATH programme. We will also review the efficiency and effectiveness of existing programmes in ensuring that children from poor households remain in school.

Investing in Public Security

6. **We see crime and a lack of public security as a key social and economic issue that is holding Jamaica back.** Further, the impact of crime and insecurity has a greater impact on the poor, worsening social outcomes for all. A comprehensive approach will be put in place, including (i) a broad institutional reform that will reorganize the police force and improve the administration of the court system, (ii) addressing corruption by strengthening the framework around seizures, forfeitures, and witness protection, and implementing AML/CFT measures to prevent the laundering of proceeds of corruption, and (iii) addressing social exclusion, including implementing Clear, Hold, and Build strategies and a review of all informal settlements (where a fifth of Jamaicans live). The budget has been reprioritized to implement some of these identified measures over the course of FY2017/18 (see ¶19 below).

Our Fiscal Strategy

The FY2017/18 budget

7. **The budget continues to target a central government primary surplus of 7 percent of GDP for FY2017/18.** This is consistent with our objective of reducing our public debt stock to 60 percent of GDP by FY2025/26, as mandated by our Fiscal Responsibility Law.

8. **The budget further rebalances from direct to indirect taxation in FY2017/18.** On April 1, 2017, we further raised the exemption threshold for the personal income tax (PIT) from J\$1 million to J\$1.5 million. This second phase of the PIT reform is funded with a set of high-quality revenue measures (developed with support from the IMF), which aim to be fair, progressive, and efficient. New measures include a carbon-related tax, strengthening of property taxes—shown to be both progressive and efficient—and additional GCT base-broadening. The budget expands PATH transfers to protect the vulnerable and extends the school feeding programme to 5 days a week. Plans are underway to improve the administration and targeting of our social programmes. We also remain committed to lowering the costs of tax compliance for companies and individuals alike.

9. **The FY2017/18 budget also prioritizes spending to support growth.** In particular, to fight crime, the budget increases security spending which will allow us to strengthen our security apparatus. The central government capital programme is expected to be 2.6 percent of GDP. The budget also includes provisions for early retirement, in anticipation of the pension legislation, expected to be approved by Parliament in the first quarter of the fiscal year (see ¶13 below).

Public Sector Transformation

10. **We are committed to enhancing the efficiency, quality and cost effectiveness of public services.** Building on the action plan for public sector transformation that was submitted to the Cabinet in September 2016, and as affirmed by the Prime Minister in his policy statement, we will:

- Merge, close, divest, and outsource government functions which are better performed by the private sector.
- Introduce shared corporate services for communications, human resource management and asset management, and centralize legal services.
- Reduce the number of public bodies and strengthen the financial reporting requirements on those entities that remain.
- For strategic interventions such as the implementation of shared corporate services and the rationalization of public bodies, ensure that a plan is in place for transitioning employment from the public sector to the private sector.

11. **To monitor and hold the government accountable in this process of public sector transformation (PST), we have established a Public Sector Transformation Oversight Committee (PSTOC).** The PSTOC is an independent monitoring body comprising members of academia, the private sector, the civil society, labour unions, and the government. The PSTOC will provide quarterly reports to the wider public, complementing the more quantitative reporting of the now well-established EPOC. We have also established a fully staffed PST Unit with the mandate to implement the action plan.

Public Service Reform

12. **Reforms are ongoing to establish a more transparent and rules-based framework for public employment and compensation.** As part of these efforts, we are undertaking a comprehensive compensation review and building a database on all wages and allowances paid to public employees, which is on track for completion for all entities in the central government wage bill by end-March 2017. We are also undertaking a full employee census to verify each employee's post and their eligibility for allowances. We have completed the pilot process and expect to complete this census for all entities in the central government wage bill by end-March 2017. To aid us in our efforts to improve control and monitoring over wage spending, we are also upgrading our human resources software system and putting in place stronger safeguards against hiring outside of approved positions.

Pension Reform

13. **The public sector pension reform bill is being considered by our Parliament and is expected to become effective in the first quarter of the fiscal year.** The proposed law, tabled in Parliament in July 2016, raises the retirement age to 65 years, requires a 5 percent mandatory contribution from workers, expands the benefit assessment period from the last year's wage to the average of the last 5 years' wages, reduces the commutation benefit, and lowers the benefit accrual

rate to 1.8 percent. We intend to undertake an outreach campaign to educate and foster early retirement for eligible public sector workers. While incentivizing early retirement, appropriate safeguards will be instituted to limit replacement, prevent rehiring, and establish strict standards for continued employment after reaching retirement age.

A More Modern Central Bank

14. **We intend to eventually move our monetary framework to an inflation targeting regime, supported by a flexible exchange rate.** We plan to implement a symmetric band of ± 3.5 percent around the medium-term programme target rate of 5.5 percent. This band encapsulates the fiscal year inflation target range used by the Bank of Jamaica. We expect to narrow the band to ± 2.5 percent for 2018 until the end of the programme. The mid-point target rate will be reviewed and potentially tightened based on the prevailing and expected macroeconomic conditions. We remain committed to consulting with the IMF's Executive Board if inflation breaches the specified bands at the programme test date. The consultation will analyse the reasons for the breach, policies undertaken to prevent it, and corrective actions the central bank plans to undertake. By June 2017, the Bank of Jamaica (BOJ) will make the overnight rate its policy rate to increase signalling power.

15. **The latest update of the BOJ safeguards assessment (completed by the IMF in February 2017), confirmed that the safeguards framework at the BOJ remains relatively strong and recommended legal amendments to further strengthen the central bank's governance arrangements.** To strengthen the accountability of the central bank, in the context of transitioning to inflation targeting, we will submit revisions to the BOJ Act to Parliament by February 2018. These will strengthen the BOJ's operational independence and modernize arrangements for paying dividends, appointments to the BOJ Board, and the provision of central bank financing to the government. We will ensure that our organizational structure and technical capacity are consistent with the envisioned modernization.

16. **The central bank is committed to developing a competitive, liquid and transparent foreign exchange market.** To this end, by June 2017, the BOJ will begin buying and/or selling FX from and to the market using multiple-price FX auctions to foster price discovery and increase the transparency and efficiency of the currency market. The FX auctions also aim to steadily phase-out our use of borrowed reserves and surrender requirements and gradually build our foreign currency buffers through market purchases. By the end of the SBA, the central bank's international reserves will exceed 100 percent of the IMF's reserve adequacy metric and we will have reduced our reliance on borrowed reserves.

A Resilient and Inclusive Financial System

17. **We plan to take important steps in 2017 to further improve the framework for financial supervision.** Our aim is to introduce new legislation to enhance the resolution framework for distressed financial sector entities. For the securities dealer industry, we intend to implement regular stress testing, restrict early encashment on retail repos, introduce a liquidity ratio, and

undertake monthly monitoring of the retail repo leverage ratio. In determining a systemically safe level for retail repos, we will be examining a number of indicators, including the retail repo leverage ratio, and additional capital and/or margin requirements. We will also aim to implement safe and effective single and group counterparty exposure limits. To better protect depositors in credit unions, we will table in Parliament a bill to amend the Cooperative Societies Act and introduce the Bank of Jamaica (Credit Union) Regulations, which together will bring credit unions under the prudential supervision of the BOJ and extend deposit insurance to those entities. In addition, we will introduce legislation to define the regulatory rules for financial holding companies and require consolidated supervision of those companies. Finally, to lessen the risks of dollarization of our financial system, we are phasing in higher reserve requirements for foreign currency deposits, based on the results of a cost-benefit analysis.

18. **We have also devised a strategy to increase financial inclusion.** This strategy, which has been approved by Cabinet, covers key areas such as better financing for smaller enterprises and the rural sector as well as expanding access to housing finance and the payments system. We also intend to improve consumer protection and increase financial literacy. A financial inclusion council will be created by March 2017 to oversee the implementation of this strategy.

Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Tax policy				
Property tax	The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	Dec-16	Yes	Completed
Financial sector taxes	Streamline and rationalize financial sector taxes, including financial turnover taxes (stamp duty and transfer tax) and the asset tax, while also assessing the appropriateness of the higher corporate income tax rate of the regulated industry.	FY2018/19		
Public sector transformation				
Implementation Unit	Fully staff the core team of the public sector transformation implementation unit, including appointment of its head by December 2016.	Dec-16		Completed
Shared Corporate Services	Corporate back-office functions for Clarendon Alumina Production Limited (CAP) Services, Jamaica Bauxite Mining (JBM) and Jamaica Bauxite Institute (JBI) will be merged and provided by JBI. Corporate functions in CAP and JBM will cease to exist.	Mar-17		Legal, internal audit functions, and recruitment to be merged. Merging of other corporate functions not feasible at this stage.
	Identify positions that will be affected due to the implementation of shared corporate services in human resources and quantify the implications through the development of a costed transition plan and schedule.	May-17	Yes	On track for completion by target date
	Commence implementation of HR shared corporate service arrangements.	Sep-17		
	Identify positions that will be affected due to the implementation of shared corporate services in Public Relations and Communications, and Internal Audit and quantify the implications through the development of a costed transition plan and schedule.	Nov-17	Yes	
Ongoing entities	Complete the divestment of Caymanas Track Limited and the merger of the Cocoa Industry Board, the Coconut Industry Board and the Coffee Industry Board into the Jamaica Agricultural Commodities Regulatory Authority (JACRA).	Mar-17		Caymanas divestment completed; JACRA merger on track for completion by end-March 2017

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Merger	The Agricultural Credit Board and the Department of Cooperatives and Friendly Societies will be merged into the Agricultural Loan Societies and Approved Organizations.	Apr-17		On track for completion by target date subject to parliamentary approval
	Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	Oct-17	Yes (new)	
Closure and re-integration	The following entities will be closed: (i) Board of Supervision, (ii) Road Maintenance Fund, (iii) Kingston Waterfront Hotel Company Limited, (iv) Montego Shopping Centre Limited, and (v) Portmore Commercial Development Ltd. In addition, the Children's Registry will be reintegrated into the Child Development Agency.	Oct-17	Yes (new)	
Public bodies				
Arrears control	The total stock of domestic arrears (as defined in the TMU) of the following public bodies will be capped at J\$6.4 billion during the programme period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	Yes (new)	
Reporting and monitoring capacity	With support from the IMF, build and roll-out a risk-based approach to identify problematic public entities, together with a monitoring and reporting framework to ensure that the Ministry of Finance has a centralized view of all payments due to external suppliers by the major public bodies who have external counterparts	Dec-17		
Classification	Complete review of the classification of all existing public bodies in a way that is consistent with public financial management rules.	Feb-17		Completed
Earmarked revenues	Submit to parliament all necessary legislative changes to direct all earmarked revenues from the Jamaica Civil Aviation Authority, the Tourism Enhancement Fund, and the CHASE Fund to the consolidated fund.	Jun-15-2017	Yes (new)	

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Re-integration	Submit to Cabinet a time-bound plan to reintegrate eligible public bodies into central government, consistent with the public financial management principles of the policy on public bodies.	Jul-17	Yes (new)	
Public service reform				
Compensation review	Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017.	Mar-17	Yes	On track for completion by target date
	Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	Apr-17	Yes	On track for completion by target date
Employee census	Complete an employee verification exercise. Island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the police department, the NIS, and the non-teaching personnel at the Ministry of Education are ongoing. The verification for all entities in the central government wage bill will be finalized by March 2017.	Mar-17	Yes	On track for completion by target date
	Submit policy options to cabinet for transition plans for employees who are currently outside of approved positions.	Apr-17		On track for completion by target date
Recruitment rules	The creation and application of strict unambiguous rules for the decisions of the Post Operations Committee regarding all types of employment including acting. These rules are to establish a percentage reduction rate which effectively controls the rate of employment and creates a sharp downward trajectory whilst ensuring that the public sector is properly resourced.	Mar-17	Yes	On track for completion by target date
Retirement	Pursue options for early retirement targeting the eligible population.	Mar-17		Proposal submitted to and approved by Cabinet.

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	Institute rules prohibiting the rehiring of participants in the early retirement programme into the public sector for at least 5 years unless the person returns the incentive.	May-17	Yes (new)	
	Submit to the Governor General through Cabinet rules and standards for the Public Service Commission for limiting the approval of continued employment after retirement age, including as contract officers.	May-17	Yes (new)	
	Create a registry of participants in the early retirement programme.	Jun-17		
Performance management policy	Submit to Cabinet a medium-term policy and implementation plan to revise the performance-based merit increases to make them more meaningfully related to the performance management appraisal system.	Sep-17	Yes (new)	
	Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	Sep-17	Yes (new)	
	Conduct consultations on scope for standardizing public sector pay scales across all MDAs.	Jan-18		
HCMES	Complete roll-out of the human resources software (HCMES) for 14 entities.	Dec-18		
Tax Administration				
Staffing	Completion of staffing of the Tax Administration of Jamaica (TAJ) as a Semi-Autonomous Revenue Authority (SARA) at the November 2015 staffing levels. All final offers are expected to be accepted by end-November 2016.	Nov-16		Positions approved as of November 2016 have been staffed. Staffing is ongoing for newly approved positions.
Training	Training for audit managers will begin by November 2016 and is expected to be completed for all 50 audit managers by February 2017.	Feb-17		Training completed by target date for 55 audit managers.
Compliance	Continue to improve the efficiency of the large taxpayers' office by completing in FY17/18: (i) 33 comprehensive audits, (ii) 51 issue audits, and (iii) settling 100% of the 47 objections in current inventory.	Mar-18		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Audit process	Implement centralized organizational and reporting arrangements for the objections units currently residing in the regional services centres to ensure that objection decisions are carried out by officers outside of the Operations Division.	Mar-17		On track for completion by target date
	Public roll-out of the new independent objection units in the regional service centres and posting of information on the TAJ website.	Apr-17		On track for completion by target date
	Implement centralized organizational and reporting arrangements for the objections unit currently residing in the Large Taxpayers' Office to ensure that objection decisions are carried out by officers outside of the Operations Division.	Sep-17		
Transfer pricing	Develop audit processes and procedures, and a comprehensive work plan to focus on specified sectors/taxpayers/ issues and distributive trade.	Apr-17		On track for completion by target date
Client Services	Begin issuing formal practice notes and private rulings to improve information to the taxpayer.	Apr-17		On track for completion by target date
	Begin developing an integrity framework and conflict of interest guidelines.	Aug-17		
	By April 2017, work will begin on the development of a database of legal opinions and guidance notes to be published on the TAJ website for taxpayers' information by October 2017.	Oct-17		
	Develop (i) a security framework including system access controls, and (ii) discipline and dismissal policies. Roll out a public awareness campaign for (ii).	Nov-17		
Business process	Develop a business process reengineering strategy which includes (i) an as-is analysis of the RAiS environment, (ii) an office footprint and workforce analysis, and (iii) an ICT investment plan.	Aug-17		
	Submit new organizational structure, including headquarters operations and objections unit, for MOFPS approval.	Sep-17		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Customs Administration				
Capacity	Begin Tax Audit and Revenue Administration training for officers.	Dec-16		Training began by target date and is scheduled to end by January 2018
Post-Clearance Audit	Increase the number of completed Post-Clearance Audits to 60 a year by March 2017, with 25 percent of them identified by risk management system.	Mar-17		On track for completion by target date
	By March 2018, 50 percent of Post Clearance Audits will be identified by a risk management system.	Mar-18		
Trade facilitation	Complete the drafting of legislation to repeal and replace the Customs Act and begin stakeholder consultations by May 2017.	May-17		On track for completion by target date
	Submit a Bill to repeal and replace the Customs Act to Parliament.	Aug-17		
Public Financial Management				
TSA Expansion	Put in place phase 1 of enhancements to Central Treasury Management System (CTMS), expected to be completed by end-December 2016. Begin web enablement of FinMan by January 2017 after all enhancements and job orders for CTMS are completed and signed off.	Jan-17		Completed
	Commence daily sweeps of revenue transit accounts of Principal Receivers of Revenues (PRRs) into the Treasury Single Account (TSA).	Mar-17		On track for completion by target date
	Begin user testing of the web-enabled FinMan.	Oct-17		
	Begin development of the revenue management module (RMM).	Oct-17		
AGD capacity	A new organizational structure for the Accountant General's Department (AGD) was approved by the Ministry of Finance and Public Service in September 2016. Transfer of the responsibility for further development and management of the CTMS from the MoFP to the AGD is ongoing and all positions and responsibilities will be permanently transferred to the AGD by end-November 2016.	Nov-16		Completed

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	A service level agreement between the Bank of Jamaica and the Government for banking services provided by the central bank was signed in August 2016. After the circular is issued by the MOFP, full responsibility for the management of government accounts (except for IFI accounts) will be transferred to the AGD and 95 percent of all dormant and inactive accounts will be closed by December 2016.	Dec-16		Completed
	To enhance capacity in support of its ongoing reform agenda, the AGD will conduct a training needs assessment to identify priorities and develop a medium-term training programme.	Jan-17		Completed
MOFP Staffing	The new organizational structure to enhance macro-fiscal capacity of the Ministry of Finance and the Public Service was approved in August 2016 and the selection process of staff has begun. We expect all offers to be made by end-September 2017.	Sep-17		
Procurement	Begin staffing of the new structure for Procurement and Asset Policy Unit; all customer service positions (5) will be in place by end-April 2017.	Apr-17		On track for completion by target date
	Complete INPRI (International Procurement Institute) training for all 50 procurement officers in ministries.	May-17		Completed
Debt Management				
Capacity	Reduce operational risk by ensuring adequate staffing of the Debt Management Branch (DMB)'s middle office.	Jun-17		On track for completion by target date
	Ensure that core staff at the MOFP's Fiscal Policy Management Branch and the Debt Management Branch are trained in debt sustainability analysis (DSA) and medium-term debt management strategy (MTDS) modelling.	Mar-17		Completed
Market development	In consultation with all relevant stakeholders, prepare and publish a debt market development strategy to identify strategic medium-term priorities, next steps, and responsibilities. The plan should describe the strategy for reducing the high dollarization of government debt.	Mar-17		Completed
	Review and upgrade the primary dealer (PD) system with respect to primary dealer commitments and privileges in GOJ bonds to incentivize market making.	Sep-17		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	Reintroduce competitive auctions for GOJ bonds to enhance price-transparency and liquidity, and requesting developer's help as needed.	Jun-17		Completed
	To enhance price discovery, gradually increase the share of domestic debt issued via competitive auctions.	Continuous		Ongoing
	To create a more liquid T-bill market, anchor the yield curve and provide an accurate benchmark, expand the issuance of T-bills and pursue dematerialization (i.e. switching from paper-form securities to electronic book-entry) of T-bills.	Jun-17		On track for completion by target date
BOJ/GOJ coordination	To enhance the attractiveness of local currency bonds, revise collateral policy for liquidity provision by amending the BOJ Act to permit a more granular approach to the treatment of GOJ securities. To that end, increase the collateral value of T-bills and BOJ CDs so as to better reflect the risk of underlying assets.	Feb-18		
	Institute more frequent meetings between the MOFP, the BOJ, and the AGD to discuss liquidity conditions around planned issuances and/or redemptions and to develop a comprehensive internal strategy for dealing with major domestic market redemptions. Discuss the impact of these strategies (repayments, rollovers, buybacks, and exchanges) on domestic liquidity and FX conditions.	Continuous		Ongoing
Social Safety Net				
National Identification System (NIDS)	Put in place an initial team of project specialists spanning areas such as (i) procurement, (ii) legal, (iii) business process review, and (iv) information technology (ICT); final job offers will be made by end-November 2016.	Nov-16		Completed
	A Memorandum of Understanding with eGov Jamaica Ltd. will be signed by end-November 2016 in order to secure a core team from eGov in the NIDS project.	Nov-16		Completed
	Establish a Procurement Team including a Procurement Specialist, eGov representatives, ICT Specialist, NIDS Project Manager, NIDS Subject Matter Expert, and Legal Officer.	Dec-16		Completed

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	Develop and publish a full NIDS system requirement, in collaboration with MDAs and stakeholders; publish request for proposal to acquire NIDS.	Apr-17		On track for completion by target date
	A Memorandum of Understanding with Jamaica Post will be signed to facilitate the enrolment of Jamaicans at full services post offices.	May-17		On track for completion by target date
	Put in place the core project organization to drive the implementation of the National Identification System covering the areas of Project Direction and Management, Communications, Financial Management, Procurement Management, Systems Support, Monitoring and Evaluation, Research and Development, Business Processes, and Technical Documentation.	Jul-17		
PATH coverage	Conclude the benefits review for PATH.	Mar-17		Completed
	Increase the funding for the School Feeding Programme in the FY2017/18 budget in order to cover 5 days.	Mar-17		Completed
PATH graduation	Upon cabinet approval of the graduation strategy for PATH households, initiate the evaluation of households' ability to exit the programme and begin delivery of interventions for the first group of families scheduled for graduation from PATH.	June-17		On track for completion by target date. Submitted to Human Resources Committee of Cabinet.
PATH efficiency and effectiveness	Review of impact of PATH benefits on improving school attendance. The review will be conducted by the Ministry of Labour and Social Security and will inform the redesign of the scheme to meet the stated objective of increasing school attendance. A first draft report will be completed by end-June 2017.	June-17		On track for completion by target date
Exchange rate				
FX market	The BOJ, with support from IMF TA, to develop modalities to improve price discovery in the FX market through the introduction of multiple-price FX auctions for BOJ buying from and/or selling to the market. By April 2017, we will draft internal guidelines for the auctions, and develop and implement an outreach campaign to explain to market participants the new modality of buying and selling foreign exchange.	Apr-17		On track for completion by target date
	Implement multiple-price FX auctions for the BOJ buying from and/or selling to the market.	Jun-17		On track for completion by target date

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Monetary Policy				
Liquidity provision and dollarization	Continue to remove the bias in the cash reserve requirement structure that favours foreign currency deposits by gradually equalizing the cash reserve and liquid asset reserve requirements for foreign currency and domestic currency deposits in the banking system; the next step in the equalization will occur November 2016.	Nov-16		Completed
	Conduct cost-benefit analysis on imposing stricter cash reserve and liquid asset reserve requirement on foreign currency liabilities.	Mar-17		Completed
	Guided by IMF TA, the BOJ will improve the effectiveness of its open market operations and liquidity assurance framework by making the overnight interest rate its policy rate by June 2017. This transition has begun with an adjustment of the interest rate on its overnight deposit facility from 0.25 percent to 3 percent in September 2016 and a further narrowing of the interest rate corridor in March 2017.	Jun-17		
BOJ Strength of Balance Sheet	To ensure the strength of the BOJ balance sheet and its capacity to conduct monetary policy with sufficient independence to implement inflation targeting, the BOJ, with the help of IMF TA in June, will conduct an assessment of its operating requirements and related cost structure, capital position and revenue requirements.	Jul-17		On track for completion by target date
	Propose a reform plan constructed in collaboration with the MOFP.	Aug-17		
BOJ Act	Submit to Cabinet a proposal for revising the BOJ Act in line with IMF recommendations.	Aug-17	Yes (new)	
	To enhance the BOJ's governance framework, submit revisions of the BOJ Act to Parliament to—among other things—improve central bank governance and independence, in line with IMF recommendations. These revisions will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government.	Feb-18	Yes (new, modified)	
International reserves	Steadily phase-out the surrender requirements and borrowed reserves. By end of programme, achieve at least 100 percent of ARA metrics and increase the proportion of non-borrowed reserves in NIR through market-based FX purchases.	Dec-19		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Financial Sector				
Securities dealers' reforms	The BOJ will continue to monitor market conditions and compliance with the existing limits in foreign investment and assess the readiness to lift the investment cap for CIS and SDs further, from their current level of 25 percent.	Continuous		Ongoing
	The FSC to require all securities dealers to conduct regular stress tests and submit test results.	Dec-16		Completed
	The FSC to require all securities dealers to conduct regular stress tests and submit test results on a semi-annual basis, commencing end-June, 2017. One stress test should be conducted using the dealer's audited financial statements and the other using end-April data. The results will be used as a feedback to risk-based supervision.	Continuous		Ongoing
	With the goal of addressing remaining balance sheet risks in the SD industry, the FSC, in collaboration with the BOJ Financial Stability Unit and in consultation with the IMF, will by end-June 2017 complete a study on the appropriate indicators for a systemically safe level of retail repos, including the retail repo leverage ratio (RRLR). The indicators studied will also include additional capital and/or margin requirements. The goal will be to determine, by end-September 2017, how to implement suitable indicators. In the meantime, the FSC will continue to undertake monthly monitoring of the RRLR.	Sep-17		
	The FSC to complete a study on the appropriate definition and level of the liquidity ratio.	Oct-17		
	The FSC, in collaboration with the BOJ Supervision Department and Financial Stability Unit, will by September 2017 complete a study on the appropriate level of single and group counterparty exposure limits. Following consultation with the industry in October 2017, the guidelines, including the timeline for enforcing intermediate targets will be finalized by end-December 2017.	Dec-17		
	Instituting mechanisms to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations that require "retail repos" to be governed by a MRRA that is signed by both the dealer and the client.	May-17	Yes	On track for completion by target date

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Consolidated supervision	The suite of regulations (which includes capital adequacy requirements for the Financial Holding Companies (FHC), and the form of application) that will comprise the regime for FHC and consolidated supervision will be shared with the industry by end-November 2016; drafting instructions to be prepared by end-April 2017.	Apr-17		November action completed. On track for completion by target date
Coordination	Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	Nov-16	Yes	Completed
Crisis resolution	Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	Feb-17	Yes	Completed
	Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper.	Jul-17	Yes (new)	
	Prepare drafting instructions for the CPC, based on the draft legislation, incorporating revisions from public consultation and feedback received on the cabinet proposal.	Oct-17		
	Submit legislation to Parliament.	Jul-18		
Financial inclusion	Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	Mar-17	Yes	On track for completion by target date
	Table a Micro Credit Act in Parliament.	Dec-17		
	To encourage increased participation of data providers in the credit reporting system, review the Credit Reporting Act and propose amendments, if any, to Cabinet.	Dec-18		
Deposit insurance and investor compensation	Legislation to amend the Cooperative Societies Act will be tabled in Parliament by end-May 2017.	May-17		On track for completion by target date
	We will take steps to further strengthen depositor protection and investor compensation across financial institutions, including also credit union depositors. We will update the Proposal for the Establishment of Compensation Schemes for non-DTIs by March 2018.	Mar-18		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Economic Growth Council recommendations				
Citizen Security and Public Safety	Submit to Cabinet a plan for the rationalization of police stations, the redeployment of assets into high-crime areas and a more mobile strategy for policing.	Mar-17		3 phase plan in progress. On track for completion by target date
	Complete phased implementation of measures to allow witnesses to record their statements and/or give evidence via video-link in at least 50 locations by October 2017.	Oct-17		
	Improve border security and enhance monitoring of Jamaica's air and maritime space through an initial acquisition of surveillance aircraft and marine patrol vessels leading towards the eventual development of a full Domain Awareness Centre.	Mar-17		On track for completion by target date
	Implement a full legislative review that leads to (i) completion of a draft new Police Service Act to replace the Jamaica Constabulary Force Act, that supports the modernization and transformation of the Jamaica Constabulary Force into a modern intelligence-led police service that ensures Citizen Security, with stronger systems of administration, management and internal discipline, (ii) tabling in Parliament of legislation to establish the Major Organized Crime and Anti-Corruption Agency as an independent national law enforcement agency focused on terrorism, major organized crime and serious corruption, (iii) tabling in Parliament of legislation to merge the Corruption Prevention Commission, the Integrity Commission and the Office of the Contractor General into a more empowered single Anti-Corruption Agency with the necessary independence and resources to carry out its functions.	Oct-17		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	Subject to the ruling of the Constitutional Court, extend Proceeds of Crime legislation to include all FATF designated non-financial businesses and professions, including lawyers (consistent with attorney-client privileges), by way of ministerial order subject to affirmative resolution, or other legislative means, to assist in the detection, investigation and prosecution of the laundering of proceeds of crime, including corruption.	Oct-17		
	Submit to Cabinet a proposal for a comprehensive information system for the JCF, including acquisition of the necessary infrastructure that facilitates live feeds from CCTV to area-based control rooms to allow real-time operations control, accompanied by the implementation of proper electronic crime and incident-recording procedures feeding into real-time data analytics to support both strategic management and operations control.	Oct-17		
	Submit to Cabinet a comprehensive plan for normalizing and reintegrating informal settlements, 'garrisons' and high-crime communities, creating safe civic spaces and decent, law-abiding neighbourhoods.	Oct-17		
Access to finance	Finalize Terms of Reference for Banking Competition Review.	Dec-16		Completed.
	Expand the size of the partial credit guarantee programme at the Development Bank of Jamaica.	Mar-17		Completed
	Commence phased reviews of banking, insurance and pensions regulations that impact access to finance by March 2017. Table in Parliament by June 2017 amendments to the Investment Regulations to allow pension funds to invest in a wider range of products.	Jun-17		On track for completion by target date
Business climate and red-tape	Begin regulatory review of licensing, permitting and regulatory processes in fisheries, veterinary, agricultural, pharmaceutical, health and quality control divisions of government aimed at boosting efficiency and business competitiveness.	Mar-17		On track for completion by target date

Reform area	Measures	Date	Structural Benchmark	Implementation Status
	Complete the Public Procurement Regulations and the Handbook of Public Sector Procurement Procedures.	May-17		On track for completion by target date
	Undertake improvements to the Development Approval Process inclusive of (i) hiring of consultant to complete Phase 1 (updating of geospatial datasets and background papers) of the National Spatial Plan by November 2017, (ii) tabling in parliament of the Building Act by March 2017, and (iii) completion of the Development Orders for all parishes by December 2017.	Dec-17		Building Act tabled in Parliament December 2016.
	Implement electronic submission of development approval applications and mandatory use of AMANDA system for development approvals: (i) Table amendments to the Town and Country Planning Act and Local Improvements Act and regulations in Parliament by May 2017; (ii) Commence pilot of Public Portal Module II in 3 Local Authorities by December 2017; (iii) Complete upgrade of infrastructure of eight Local Authorities (LAs) by December 2017.	Dec-17		
Asset utilization	Create framework for public debt reduction through a programme of privatizations and asset sales.	May-17		
	Submit to cabinet plan to divest up to 20% of assets held by the UDC and Factories Corporation of Jamaica.	May-17		On track for completion by target date
	Improve the scalability and efficiency of the privatization, asset sale and public-private-partnership processes by: (i) DBJ making provision in Corporate Plan for additional number of Account Executives at the DBJ who handle such transactions, (ii) commencing the process to procure or identify dedicated staff at the AG's chambers and the Ministry of Finance who are exclusively focused on these transactions, (iii) the DBJ providing a protocol for the establishment of permanently staffed Enterprise Team that handle multiple such transactions by April 2017, and (iv) submit to cabinet the protocol and framework for the outsourcing of privatizations to for-profit firms by May 2017.	May-17		

Reform area	Measures	Date	Structural Benchmark	Implementation Status
Diaspora involvement	Prepare draft proposal on institutional framework for promoting, coordinating and organizing economic and social investments by the Diaspora.	Mar-17		On track for completion by target date
	Begin feasibility study of the creation of a Global Jamaican Immigration Card for issuance to members of the Diaspora.	May-17		On track for completion by target date

Table 1. Jamaica: Schedule of Reviews and Purchases

Available on or after	Amount of Purchase		Conditions 1/
	SDR millions	% Quota	
November 11, 2016	300.1	78	Approval of Arrangement
March 15, 2017	126.0	33	First Review and end-December 2016 performance criteria
September 15, 2017	126.0	33	Second Review and end-June 2017 performance criteria
March 15, 2018	160.8	42	Third Review and end-December 2017 performance criteria
September 15, 2018	160.8	42	Fourth Review and end-June 2018 performance criteria
March 15, 2019	160.8	42	Fifth Review and end-December 2018 performance criteria
September 15, 2019	160.8	42	Sixth Review and end-June 2019 performance criteria
Total	1195.3	312	

1/ Apart from periodic performance criteria, conditions also include continuous performance criteria.

Table 2. Jamaica: Quantitative Performance Criteria 1/2/
(In billions of Jamaican dollars unless otherwise stated)

	2016			2017				2018	
	Performance Criteria	Adjusted PC	Actual	Indicative Target	Performance Criteria	Proposed Revised Performance Criteria	Indicative Target	Proposed Performance Criteria	Indicative Target
		End-Dec		end-Mar	end-June	end-June	end-Sep	end-Dec	end-Mar
Fiscal targets									
<i>Performance Criteria</i>									
1. Primary balance of the central government (floor) 3/	54.0		76.6	123.0	13.4	15.0	37.0	59.0	130.5
2. Overall balance of the public sector (floor) 3/	-51.5	-47.7	10.7	-17.2	-41.4	-39.2	-46.9	-59.3	-14.8
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0		-4.1	0.0	0.0	0.0	0.0	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0		-4.4	0.0	0.0	0.0	0.0	0.0	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0		0.3	0.0	0.0	0.0	0.0	0.0	0.0
<i>Indicative targets</i>									
7. Tax revenues of the central government (floor) 3/	300.0		322.1	440.0	100.0	100.0	215.0	328.0	473.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	-1.0	2.8	-1.3	3.3	7.6	2.5	2.0	3.5	11.5
9. Central government spending on social programs (floor) 3/ 7/	16.4		23.2	24.3	5.0	6.1	11.2	18.3	26.6
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0		0.4	3.0	3.0	3.0	3.0	3.0	3.0
Monetary targets									
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	1,428	1,419	1,671	1,475	1,521	1,521	1,637	1,777	1,917
12. <i>Monetary policy consultation clause (in percent)</i>									
Upper band	9.0			9.0	9.0	9.0	9.0	9.0	8.0
Center inflation target	5.5		1.7	5.5	5.5	5.5	5.5	5.5	5.5
Lower band	1.0			2.0	2.0	2.0	2.0	2.0	3.0
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).									
2/ Based on program exchange rates defined in the TMU.									
3/ Cumulative flows from April 1 through March 31.									
4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.									
5/ Includes tax refund arrears as stipulated by law.									
6/ In millions of U.S. dollars.									
7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU).									
8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU.									
9/ Continuous performance criterion.									
10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears.									
11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.									

Table 3. Jamaica: Structural Program Conditionality

Structural Benchmarks	Timing	Implementation status
Fiscal Reforms		
1 The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	December 31, 2016	Met
Monetary policy and financial sector		
2 Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	November 30, 2016	Met
3 Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	February 28, 2017	Met
4 Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	March 31, 2017	
5 Instituting mechanisms to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations that require "retail repos" to be governed by a MRRRA that is signed by both the dealer and the client.	May 30, 2017	
6 Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Proposed
7 Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Proposed
8 To enhance the BoJ's governance framework, submit revisions of the BOJ Act to Parliament to - among other things - improve central bank governance and independence, in line with IMF recommendations. The revisions will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government.	February 28, 2018	Proposed modification
Public Sector Transformation		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	
10 Complete an employee verification exercise. Island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the police department, the NIS, and the non-teaching personnel at the Ministry of Education are ongoing. The verification for all entities in the central government wage bill will be finalized by March 2017.	March 31, 2017	
11 The creation and application of strict unambiguous rules for the decisions of the Post Operations Committee regarding all types of employment including acting. These rules are to establish a percentage reduction rate which effectively controls the rate of employment and creates a sharp downward trajectory whilst ensuring that the public sector is properly resourced.	March 31, 2017	
12 Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	
13 Identify positions that will be affected due to the implementation of shared corporate services in human resources and quantify the implications through the development of a costed transition plan and schedule.	May 30, 2017	
14 Institute rules prohibiting the rehiring of participants in the early retirement program into the public sector for at least 5 years unless the person returns the incentive.	May 30, 2017	Proposed
15 Submit to the Governor General through Cabinet rules and standards for the Public Service Commission for limiting the approval of continued employment after retirement age, including as contract officers.	May 30, 2017	Proposed
16 Submit to parliament all necessary legislative changes to direct all earmarked revenues from the Jamaica Civil Aviation Authority, the Tourism Enhancement Fund, and the CHASE Fund to the consolidated fund.	June 15, 2017	Proposed
17 Submit to Cabinet a time-bound plan to reintegrate eligible public bodies into central government, consistent with the public financial management principles of the policy on public bodies.	July 31, 2017	Proposed
18 Submit to Cabinet a medium-term policy and implementation plan to revise the performance-based merit increases to make them more meaningfully related to the performance management appraisal system	September 30, 2017	Proposed
19 Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Proposed
20 The following entities will be closed: (i) Board of Supervision, (ii) Road Maintenance Fund, (iii) Kingston Waterfront Hotel Company Limited, (iv) Montego Shopping Centre Limited, and (v) Portmore Commercial Development Ltd. In addition, the Children's Registry will be reintegrated into the Child Development Agency.	October 31, 2017	Proposed
21 Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Proposed
22 Identify positions that will be affected due to the implementation of shared corporate services in Public Relations and Communications, and Internal Audit and quantify the implications through the development of a costed transition plan and schedule.	November 30, 2017	
23 The total stock of domestic arrears (as defined in the TMU) of the following public bodies will be capped at J\$6.4 billion during the program period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	Proposed

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Jamaican authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the programme supported by the Stand-By Arrangement (SBA) treated as precautionary. It also describes the methods to be used in assessing the programme performance and the information requirements to ensure adequate monitoring of the targets.

2. For programme purposes, all foreign currency-related assets, liabilities and flows will be evaluated at “programme exchange rates” as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates. The programme exchange rates are those that prevailed on August 31, 2016. Accordingly, the exchange rates for the purposes of the programme are show in Table 1.

Jamaican dollar to the US dollar	127.57
Jamaican dollar to the SDR	178.07
Jamaican dollar to the Euro	144.50
Jamaican dollar to the Canadian dollar	98.73
Jamaican dollar to the British pound	167.23
1/ Average daily selling rates at the end of August 2016	

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

3. **Definitions:** The central government for the purposes of the programme consists of the set of institutions currently covered under the state budget. The central government includes public bodies that are financed through the Consolidated Fund.

4. The fiscal year starts on April 1 in each calendar year and ends on March 31 of the following year.

A. Cumulative Floor of the Central Government Primary Balance

5. **Definitions:** The primary balance of the central government is defined as total revenues minus primary expenditure and covers non-interest government activities as specified in the budget.

6. Revenues are recorded when the funds are transferred to a government revenue account. Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Government-funded PPPs will be treated as traditional public procurements. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly.

7. All primary expenditures directly settled with bonds or any other form of non-cash liability will be recorded as spending above-the-line, financed with debt issuance and will therefore affect the primary balance.
8. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.
9. **Adjuster for loan to Clarendon Alumina Production (CAP):** The floor of the central government primary balance (cumulative since the beginning of the fiscal year) will be adjusted upwards by an amount equivalent to the total shortfall of principal and interest repayments due (relative to table 2), converted at programme exchange rates.

Table 2. CAP repayment schedule	
Cumulative repayment flows to central government from beginning of each fiscal year (US\$ millions)	
end-June 2017	0.00
end-December 2017	7.96
end-June 2018	7.46
end-December 2018	14.68
end-June 2019	6.99

B. Cumulative Floor on Overall Balance of the Public Sector

10. The public sector refers to the “Specified Public Sector” (SPS) as defined under the Fiscal Responsibility Law (FRL). In particular, it consists of the central government and self-financed public bodies that are not deemed “commercial” by the Office of the Auditor General (OAG), based on the set of legislated criteria. It excludes the Bank of Jamaica (BOJ).
11. The TMU will be updated when the formal assessment by the OAG of the commercial nature of public bodies is completed by April 1, 2020. Until completion of this OAG assessment and for the purposes of the SBA, the SPS will consist of the central government and the public bodies listed below.
12. For the purposes of the SBA, public bodies will consist of the following self-financed public bodies: AEROTEL; Airports Authority of Jamaica; Betting, Gaming and Lotteries Commission; Broadcasting Commission; Bureau of Standards; CHASE; Clarendon Alumina Production Limited; Cocoa Industry Board; Coconut Industry Board; Coffee Industry Board; Development Bank of Jamaica Limited; Factories Corporation of Jamaica; Financial Services Commission; Firearm Licensing Authority; Harmonisation Limited; HEART Trust-NTA; Housing Agency of Jamaica Limited; Jamaica Bauxite Institute; Jamaica Bauxite Mining; Jamaica Civil Aviation Authority; Jamaica Deposit Insurance Corp.; Jamaica International Freezone Limited; Jamaica Mortgage Bank; Jamaica National Accreditation Agency; Jamaica Racing Commission; Jamaica Railway Corporation; Jamaica Ultimate Tyre Company Limited; Jamaica Urban Transport Company Limited; Kingston Free Zone Limited; Micro Investment Development Agency; Montego Bay Free Zone; Montego Bay Metro Limited; National Export Import Bank of Jamaica - EX-IM Bank; National Health Fund; National Housing Trust; National Insurance Fund; National Water Commission; National Road Operating and Constructing;

Ocho Rios Commercial Centre Limited; Office of Utilities Regulation; Overseas Examination Commission; PetroCaribe Development Fund (PCDF); PetroJam Ethanol Limited; Petrojam Limited; Petroleum Corporation of Jamaica; Port Authority Management Service Limited; Port Authority of Jamaica; Ports Management and Security Limited; Ports Security Corps Limited; Postal Corporation of Jamaica; Public Accountancy Board; Road Maintenance Fund; Runaway Bay Water Company Limited; SCJ Holdings Limited; Self Start Fund; Spectrum Management Authority; Sports Development Foundation; St Ann Development Company Limited; Student Loan Bureau; Sugar Industry Authority; Tourism Enhancement Fund; Transport Authority; Universal Service Fund; Urban Development Corporation; Wigton Windfarms Limited.

13. The overall balance of public bodies will be calculated from the Statement A's provided by the Public Enterprises Division of the Ministry of Finance and the Public Service (MoFPS) for each of the public bodies as defined above. The definition of overall balance used is operational balance, plus capital account net of revenues (investment returns, minus capital expenditure, plus change in inventories), minus dividends and corporate taxes transferred to government, plus net other transfers from government. For the particular case of the National Housing Trust and the Housing Agency of Jamaica, capital account revenues will not be netted out since they do not refer to flows arising from asset sales but rather to contribution revenue and therefore will be included among recurrent revenue such as is done for pension funds. The definition of the group of self-financed public bodies will be adjusted as the process of public bodies' rationalization, including divestments and mergers, advances. However, this process will not affect the performance criterion, beyond the aforementioned adjustment, unless specifically stated. All newly created entities, including from the merging of existing entities, will be incorporated into this group of public bodies.

14. The overall balance of the public sector is calculated as the sum of central government overall balance and the overall balance of the public bodies listed above.

15. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

16. **Adjuster:** The floor for the overall public sector balance (cumulative since the beginning of the fiscal year) will be adjusted downward (upward) by an amount equivalent to the shortfall (excess) of PetroJam's overall balance (relative to baseline projections in Table 3), with the value of the adjustment at the end of any quarter capped at US\$35 million, converted at the programme exchange rates.

Table 3. Overall Balance of Petrojam (Baseline Projection)	
In billions of J\$	
End-March 2017	-1.0
End-June 2017	-2.4
End-September 2017	-3.9
End-December 2017	0.2

C. Ceiling on Net Increase in Central Government Guaranteed Debt

17. **Definitions:** Net increase in central government guaranteed debt is calculated as issuance minus repayments of central government guaranteed debt, in billions of Jamaican dollars, including domestic and external bonds, loans and all other types of debt. Foreign currency debt will be converted to Jamaican dollars at the programme exchange rate. Central government guaranteed debt does not cover loans to public entities from the PetroCaribe Development Fund because of consolidation.

18. **Adjuster:** In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards in order to preserve the performance criteria.

D. Ceiling on Central Government Accumulation of Domestic Arrears

19. **Definition:** Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date in which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Central government domestic arrears include arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. This accumulation is measured as the change in the stock of domestic arrears relative to the stock at end-March 2016, which stood at J\$21.0 billion.

20. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

E. Non-Accumulation of External Debt Payments Arrears

21. **Definition of debt:** External debt is determined according to the residency criterion. The term “debt”¹ will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:

- i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the

¹ As defined in Guidelines on Public Debt Conditionality in Fund Arrangements, Decision No. 15688-(14/107).

funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

- ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the programme, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

22. **Definition of external arrears:** External debt payment arrears for programme monitoring purposes are defined as external debt obligations (principal and interest) falling due after March 31, 2017 that have not been paid within 30 days after falling due, taking into account the grace periods specified in contractual agreements. Under the definition of debt set out above, arrears, penalties and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

23. **Coverage:** This performance criterion covers central government and the following 6 public bodies, which are a subset of the self-financed public bodies defined in Section B: Airports Authority of Jamaica, Jamaica Ultimate Tyre Company, National Health Fund, Petrojam Limited, Petrojam Ethanol Limited, Port Authority of Jamaica. This performance criterion does not cover (i) arrears on trade credits and (ii) arrears resulting from nonpayment of debt service for which a clearance framework has been agreed or rescheduling agreement is being sought.

24. **Monitoring:** This performance criterion applies on a continuous basis.

F. Ceiling on Central Government Accumulation of Tax Refund Arrears

25. **Definition:** Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. This accumulation is measured as the change in the stock of tax refund arrears relative to the stock at end-March 2016, which stood at J\$17.3 billion.

26. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

G. Floor on the Stock of Non-Borrowed Net International Reserves

27. **Definitions:** Net international reserves (NIR) of the BOJ (NIR-BOJ) are defined as the U.S. dollar value of gross foreign assets of the BOJ minus gross foreign liabilities. Non-borrowed NIR is

defined as NIR-BOJ minus all foreign currency liabilities issued by the BOJ and held by residents. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the programme exchange rates.

28. **Gross foreign assets** are defined consistently with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BOJ's holdings of monetary gold, SDR holdings, foreign currency cash, foreign currency securities, liquid balances abroad and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, swaps and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets.

29. **Gross foreign liabilities** of the BOJ are defined consistently with the definition of NIR for programme purposes and include all foreign exchange liabilities to nonresidents (thus excluding all foreign exchange liabilities to residents), including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps and options) and all credit outstanding from the Fund but excluding credit transferred by the Fund into a Treasury account to meet the government's financing needs directly. In deriving NIR, credit outstanding from the Fund is subtracted from foreign assets of the BOJ. GOJ foreign liabilities are excluded from gross foreign liabilities of the BOJ.

30. **Reporting:** Data will be provided by the BOJ to the Fund with a lag of no more than ten days past the test date.

31. **Adjusters:** The non-borrowed NIR targets will be adjusted upward (downward) by the surplus (shortfall) in programme loan disbursements from multilateral institutions (the IBRD, IDB and CDB) and commercial loans guaranteed by multilateral sources, relative to the baseline projection reported in Table 4. Programme loan disbursements are defined as external loan disbursements (excluding project financing disbursements) from official creditors that are usable for the financing of the consolidated government. The non-borrowed NIR targets will be adjusted upward (downward) by the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection reported in Table 4.

Table 4. External Program Disbursements (Baseline Projection)	
Cumulative flows from end-March 2016	(In millions of US\$)
External loans from multilateral sources	
End-December 2016	182
End-March 2017	182
End-June 2017	182
End-September 2017	252
End-December 2017	252
End-March 2018	252
Budget support grants	
End-December 2016	10.8
End-March 2017	10.8
End-June 2017	10.8
End-September 2017	10.8
End-December 2017	10.8
End-March 2018	10.8
Commercial loans guaranteed by multilateral sources	
End-December 2016	0.0
End-March 2017	0.0
End-June 2017	0.0
End-September 2017	0.0
End-December 2017	0.0
End-March 2018	0.0

H. Performance Criterion on the Introduction or Modification of Multiple Currency Practices

32. The performance criterion on the introduction or modification of multiple currency practices (MCP) will exclude the introduction or modification in 2017 of a multiple-price foreign exchange auction system, developed in line with Fund staff advice, that may give rise to a MCP.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Cumulative Floor on Central Government Tax Revenues

33. **Definition:** Tax revenues refer to revenues from tax collection. It excludes all revenues from asset sales, grants, bauxite levy and non-tax revenues. To gauge the impact of the tax policy reforms

and improvements in tax administration, the programme will have a floor on central government tax revenues (indicative target). The revenue target is calculated as the cumulative flow from the beginning to the end of the fiscal year (April 1 to March 31).

34. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

B. Ceiling on the Change in the Stock of Public Bodies' Non-Guaranteed Debt

35. **Definitions:** The non-guaranteed debt of public bodies includes all consolidated domestic and external bonds and other forms of debt by all self-financed public bodies (as defined in I.B.) that is not guaranteed by the central government or any other public entity. The target will be set in Jamaican dollars with foreign currency debt converted using the programme exchange rate. The change in the stock of non-guaranteed debt will be measured "below the line" as debt issuance minus repayments on all non-guaranteed debt by public bodies.

36. For the purposes of computing the non-guaranteed debt target, debt issues are to be recorded at the moment the funds are credited to the account of the corresponding public body. The stock of public bodies' non-guaranteed debt will be measured net of cross-holdings of such debt between the public bodies.

37. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

38. **Adjuster:** The target will be adjusted downwards if the government assumes part of previously non-guaranteed debt or if an entity with non-guaranteed debt is subsequently divested/privatized.

39. **Adjuster:** The target will also be adjusted upward (downward) by an amount equivalent to the shortfall (excess) of PetroJam's overall balance (relative to baseline projections in Table 3), with the value of the adjustment at the end of any quarter capped at US\$35 million, converted at the programme exchange rates.

C. Floor on Central Government Spending on Social Programmes

40. **Definition:** Social spending is computed as the sum of central government spending on social protection programmes as articulated in the central government budget for a particular fiscal year. Social programmes comprise conditional cash transfers to children 0–18 years and the elderly; youth employment programmes; the poor relief programme for both indoor and outdoor poor; the school feeding programme; and the basic school subsidy.

41. **In particular, this target comprises spending on specific capital and recurrent programmes.** On capital expenditure the following specific programmes must be included in the target:

- *Youth employment programmes* comprising on the job training, summer employment and employment internship programme.
- *Conditional cash transfers* comprising children health grant, children education grants, tertiary level, pregnant and lactation grants, disabled adult grants, adult under 65 grants and adults over 65 grants.
- *Poor relief programme*.

42. **On recurrent expenditure, the following specific programmes must be included in the floor on social and security expenditure:**

- School feeding programmes including operating costs;
- Poor relief (both indoor and outdoor) including operating costs;
- Golden Age Homes;
- Children's home, places of safety and foster care including operating cost;
- Career Advancement Programme; and
- National Youth Service Programme.

43. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

D. Ceiling on User-Funded PPPs

44. **Definition:** User-funded PPPs are defined as concessions in which users are expected to be the main source of revenue. For the purpose of this condition, the loan value of a PPP may be excluded if the Office of the Auditor General has established that the PPP involves only minimal contingent liabilities (by demonstrating that the project has no debt guarantee, demand or price guarantees or termination clauses that could imply a transfer of liabilities to the government).

45. For the purpose of this condition, the applicable GDP is the projected nominal GDP for the ongoing fiscal year published in the Fiscal Policy Paper tabled in parliament ahead of the adoption of the budget. For FY16/17, the projected nominal GDP used as a reference is J\$1,726 billion. For FY2017/18, the projected nominal GDP used as a reference is J\$1,883 billion, as presented in Table 2H, part 2, Macroeconomic Framework.

46. **Reporting:** Data will be provided to the Fund with a lag of no more than six weeks after the test date.

III. MONETARY POLICY CONSULTATION CLAUSE

A. Monetary Policy Consultation Clause

47. **Definitions.** Inflation is defined as the change over 12 months of the end-of-period headline consumer price index, as measured and published by the Statistical Institute of Jamaica (STATIN).

48. **Reporting.** Data will be provided to the Fund with a lag of no more than six weeks after the test date. Data from the last test date will be used until new data is submitted.

49. Breaching the inflation consultation band limits (as specified in the TMU, Table 5) at the end of each June/December test dates would trigger a consultation with the IMF's Executive Board on the reasons for the deviation and the proposed policy response before further purchases could be requested under the SBA. Specifically, the consultation will explain (i) the stance of monetary policy and whether the Fund-supported programme remains on track;(ii) the reasons for deviations from the specified band, taking into account compensating factors; and (iii) on proposed remedial actions, as deemed necessary.

	2016		2017			2018	
	Actual		Band				
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Upper band			9.0	9.0	9.0	9.0	8.0
Actual/Center point	1.9	1.7	5.5	5.5	5.5	5.5	5.5
Lower band			2.0	2.0	2.0	2.0	3.0

IV. CONDITIONALITY ON PUBLIC BODIES' DOMESTIC ARREARS

50. **Under the structural benchmark on public bodies' arrears,** the total combined stock of **domestic** arrears of the following public bodies will be capped at J\$6.4 billion during the programme period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF). The domestic arrears will be monitored on a monthly basis.

51. **Definition:** Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date on which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Public bodies' domestic arrears include arrears on suppliers' credits.

52. **For the purposes of this condition,** arrears on taxes due to the central government, including on PAYE and education tax, are excluded.

V. INFORMATION REQUIREMENTS

53. To ensure adequate monitoring of economic variables and reforms, the authorities will provide the following information:

A. Daily

- Net international reserves; nominal exchange rates; interest rates on BOJ repurchase agreements; total currency issued by the BOJ, deposits held by financial institutions at the BOJ; outstanding stock of foreign currency CDs to residents by maturity; required and excess reserves of the banking sector in local and foreign currency, total liquidity assistance to banks through normal BOJ operations, including overdrafts; overnight interest rates; GOJ bond yields.
- Disbursements from the Financial System Support Fund, by institutions.
- Aggregate liquidity assistance to institutions from the BOJ.
- Bank of Jamaica purchases and sales of foreign currency, by transaction type (surrenders, public sector entities facility and outright purchases or sales including interventions).
- Amounts offered, demanded and placed in Bank of Jamaica open market operations, including rates on offer for each tenor and amounts maturing for each tenor.
- Amounts offered, demanded and placed in government of Jamaica auctions and primary issues; including minimum, maximum and average bid rates.
- Daily foreign currency government of Jamaica debt payments (domestic and external).

B. Weekly

- Balance sheets of the core securities dealers (covering at least 70 percent of the market), including indicators of liquidity (net rollovers and rollover rate for repos and a 10-day maturity gap analysis), capital positions, details on sources of funding, including from external borrowing on margin and clarity on the status of loans (secured vs. unsecured). Weekly reports will be submitted within 10 days of the end of the period. Deposits in the banking system and total currency in circulation.

C. Monthly

- Central government operations including monthly cash flow from the beginning to the end of the current fiscal year (and backward revisions as necessary), with a lag of no more than six weeks after the closing of each month.
- Public entities' Statement A: consolidated and by institution for the self-financed public bodies defined in I.B with a lag of no more than six weeks after the closing of each month.
- Central government debt amortization and repayments (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans).

Includes government direct, government guaranteed and total. In the case of issuance of government guaranteed debt, include the name of the guaranteed individual/institution. The reporting lag should not exceed six weeks after the closing of each month.

- Amortization and repayments of public bodies' non-guaranteed debt for each of the Selected Public Bodies listed in I.B
- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.
- Stock of central government domestic debt and domestic expenditure arrears.
- Stock of central government tax refund arrears.
- Central government spending on social protection as defined for the indicative target on social spending.
- Central government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); (iii) direct and guaranteed. The reporting lag should not exceed six weeks after the closing of each month.
- The maturity structure of Government debt (domestic and external). The reporting lag should not exceed six weeks after the closing of each month. Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc.).
- Balance sheet of the Bank of Jamaica within three weeks of month end.
- Liquidity assistance to institutions from the BOJ by institution.
- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks and the overall banking system. Including Bank of Jamaica outstanding open market operations by currency and maturity and a detailed decomposition on Bank of Jamaica and commercial bank net claims on the central government, and self-financed public bodies.² This information should be received with a lag of no more than six weeks after the closing of each month.
- Profits of the Bank of Jamaica on a cash and accrual basis, including a detailed decomposition of cash profits and profits from foreign exchange operations with a lag of no more than three weeks from month end.
- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.
- Financial statements of core securities dealers and insurance companies within six weeks of month end.

² Selected public bodies and other public bodies are defined as outlined in Section IV (B).

- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.
- Data on reserve liabilities items for NIR target purposes (Table 9) within three weeks after month end.
- A full set of monthly FSIs regularly calculated by the BOJ, including liquidity ratios, within eight weeks of month end.
- Monthly balance sheet data of deposit taking institutions, as reported to the BOJ, within four weeks of month end.
- Issuance of exempt distributions by financial and non-financial corporations, six weeks after month end.
- Imports and exports of goods, in US\$ million within twelve weeks after month end. Tourism indicators within four weeks after month end. Remittances' flows within four weeks after month end.
- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.
- The balance sheet of the PetroCaribe Development Fund with a lag of no more than six weeks after the closing of each month.
- Data on the total loans value of all new user-funded PPPs, specifying the PPPs identified by the Office of the Auditor General as involving only minimal contingent liabilities (including the absence of debt guarantees, demand or price guarantees or termination clauses that could imply a transfer of liabilities to the government).

D. Quarterly

- Holdings of government bonds (J\$-denominated and US\$-denominated) by holder category. The reporting lag should not exceed six weeks after the closing of each month (this would not be applicable to external and non-financial institutional holdings of GOJ global bonds as this information is not available to GOJ).
- Use of the PetroCaribe Development Fund, including loan portfolio by debtor and allocation of the liquidity funds in reserve within six weeks after month end.
- The stock of self-financed public entities non-guaranteed debt.
- Summary balance of payments within four months after quarter end. Revised outturn for the preceding quarters and quarterly projections for the forthcoming year, with a lag of no more than one month following receipt of the outturn for the quarter.
- Gross domestic product growth by sector, in real and nominal terms, including revised outturn for the preceding quarters within three months after quarter end; and projections for the next four quarters, with a lag no more than one month following receipt of the outturn for the quarter.

- Updated set of macroeconomic assumptions and programme indicators for the preceding and forthcoming four quarters within four months of quarter end. Main indicators to be included are: real/nominal GDP, inflation, interest rates, exchange rates, foreign reserves (gross and net), money (base money and M3), credit to the private sector, open market operations and public sector financing (demand and identified financing).
- BOJ's Quarterly Financial Stability Report.
- Quarterly income statement data of deposit taking institutions, as reported to the BOJ within eight weeks of the quarter end.
- Summary review of the securities dealer sector, within eight weeks of quarter end.
- Summary report of the insurance sector (based on current FSC quarterly report), within eight weeks of quarter end.
- Capital adequacy and profitability ratios (against regulatory minima) for DTIs and non-bank financial institutions within eight weeks of quarter end.
- FSC status report detailing compliance (and any remedial measures introduced to address any non-compliance) with the agreed guidelines for the operation of client holding accounts at the Jam Clear@ CSD and FSC independent verification of daily reconciliations using data provided by Jam Clear@ CSD. Reports are due within four weeks of end quarter.