INTERNATIONAL MONETARY FUND

IMF Country Report No. 18/103

JAMAICA

April 2018

2018 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE STAND-BY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA — PRESS RELEASE AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2018 Article IV Consultation, Third Review Under the Stand-By Arrangement and Request for Modification of Performance Criteria, 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 9, 2018, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 27, 2018.
- An **Informational Annex** prepared by the IMF staff.

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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International Monetary Fund
Washington, D.C.

Press Release No. 18/130
FOR IMMEDIATE RELEASE
April 16, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2018 Article IV Consultation and the Third Review under the Stand-By Arrangement with Jamaica

- Program implementation remains strong 5 years into the authorities' economic reforms, with public debt firmly on a downward trajectory.
- Resolving the complex central government wage and employment structure is necessary to sustainably reduce the wage bill and redirect resources to growth-enhancing spending.
- Building resilience of agriculture to weather events, and investing in school attendance and youth training programs will improve growth and social outcomes.

On April 10, 2018, the Executive Board of the International Monetary Fund (IMF) completed the 2018 Article IV Consultation and the third 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$ [xx] 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.

Strong program implementation continues to anchor macroeconomic stability. All quantitative performance criteria and structural benchmarks for end-December 2017 were met. Fiscal consolidation is ongoing: primary surplus is expected to be at least 7 percent of GDP in FY17/18 and a similar target is set in the FY18/19 budget; public debt is projected to be under 100 percent of GDP by end-March 2019. The unemployment rate is at a 10-year low, inflation and the current account are modest, international reserves are at a comfortable level, and external borrowing costs are at historical lows.

Nonetheless, GDP growth is estimated to have been a disappointing 0.5 percent in 2017. Weakness in agriculture, slow recovery in mining, and a deceleration in manufacturing offset

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[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.

growth in tourism and construction. The growth forecast is being revised down to 0.9 percent in FY17/18 and about 2¼ percent in the medium term; expected growth dividends from 5 years of reforms are somewhat offset by remaining structural issues, crime, and implementation capacity constraints.

Inflation remains well-anchored. Higher food prices resulting from flooding have begun to unwind, and CPI inflation in February was 4.4 percent (y/y). Core inflation has remained low (2.7 percent in February 2018), in part due to weak domestic demand. Both headline and core inflation are expected to steadily approach the midpoint of the BOJ target band (4-6 percent) over the medium-term. The current account deficit remains relatively low (at 2.8 percent of GDP in FY17/18) and it is expected to shrink over the medium-term, as oil prices remain contained and tourism earnings improve.

Financial system vulnerabilities are being progressively addressed. Non-performing loans were at about 2 percent of assets at end-2017, and banks' capital are at about 14 percent of risk-weighted assets, well above the 10 percent regulatory minimum. Liquidity risks appear manageable, a steady fall in real interest rates has supported credit creation, and banks' FX assets and liabilities appear to be broadly matched.

Executive Board Assessment

In concluding the 2018 Article IV Consultation and the Third Review under the Stand-By Arrangement with Jamaica, Executive Directors endorsed staff's appraisal as follows:

The economic reform program, that began in May 2013, has been a turning point for Jamaica. With broad-based social and political support for reforms, the Jamaican government—over two administrations—has embarked on a path of fiscal discipline, monetary and financial sector reforms, and wide-ranging structural improvements to break a decades-long cycle of high debt and low growth.

Considerable progress has been achieved on macroeconomic policies and outcomes. Fiscal discipline—anchored by the Fiscal Responsibility Law—has been essential to reduce public debt and secure macroeconomic stability. Employment is at historic highs, inflation and the current account deficit are modest, international reserves are at a comfortable level, and external borrowing costs are at historical lows.

Growth and social outcomes, however, have been discouraging. Economic growth continues to disappoint, averaging only 0.9 percent since the reforms began. Entrenched structural obstacles, including crime, bureaucratic processes, insufficient labor force skills, and poor access to finance, continue to hinder productivity and growth. Moreover, the agricultural sector's vulnerability to weather shocks exacerbated rural poverty in 2015. Not addressing these bottlenecks could pose risks for continued public support for the government's policy program.

Structurally reducing the wage bill is critical for the government to reprioritize spending toward growth-enhancing projects. More expenditure is needed for infrastructure, citizen security, building agricultural resilience, health, education, and the social safety net. Creating the space for such spending will require going beyond temporary remedies like wage freezes and adjustments to non-wage benefits. It will require high-quality measures to (i) overhaul the compensation structure to retain skills and reward performance, (ii) streamline the vast and inequitable allowances structure, (iii) prioritize key government functions and shed those activities that it can no longer afford to undertake, and (iv) change the capital-labor mix through technology upgrades, including a better monitoring of (and accountability for) government spending. Inevitably, these reforms will also require a reduction in the size of the public workforce. Such a holistic approach will support a durable reduction in the wage bill, without frequent discordant wage negotiations, and enhance public service delivery with fewer but better paid public employees.

Improving social outcomes and fostering inclusive growth will require addressing structural bottlenecks and creating an enabling environment for private sector. Countering both weak social outcomes and escalating crime will take time but will be essential for sustained growth. In this regard, the evidence suggests that early childhood education, interventions to improve school attendance, and skills training for the youth would foster a virtuous cycle of lower crime, higher wages, stronger growth, and increased economic opportunity, particularly for the young. Policies to support productive private investments, including improving lending to smaller businesses and reducing lending-deposit interest spreads, will help fuel such an upswing. However, the government must resist the pressure to use scarce public resources to "pick winners" (including through providing tax incentives). Instead, the goal should be a uniform, broad-based, and low rate tax system, a level playing field for business, and harmonized rules for all.

Formalizing the current inflation targeting regime will help entrench macroeconomic stability and promote growth. With inflation likely to remain in the lower part of the central bank's target range, a looser monetary stance remains appropriate. Meanwhile, upcoming revisions to the BOJ Act—including a clear mandate for price stability, a reformed governance structure, and a strong central bank balance sheet—will help institutionalize the inflation targeting framework. Also, continued development of the FX market, liquidity management and forecasting toolkit, along with upgrading the BOJ's communication practices, will improve policy signaling and enhance credibility. Successful inflation targeting will require a clear commitment to a flexible and market-determined exchange rate with limited involvement of the central bank in the currency market. This implies that FX sales should be confined to disorderly market conditions, especially given the reductions in the surrender requirements, and buy auctions should aim to build reserves in a non-disruptive way.

Financial sector stability is a prerequisite for strong and sustained growth. Ongoing prudential and supervisory improvements will enhance systemic stability. While changes to investment limits for non-banks should be considered, they must be backed by a thorough assessment – including of appropriate regulations, risk management guidelines, and supervisory arrangements – to ensure that greater flexibility in non-banks' asset-liability management practices does not jeopardize financial stability. Introduction of a Special Resolution Regime for financial institutions will strengthen the system's safety net while putting clear requirements in place for the use of public resources.

Continued reform implementation will not only safeguard hard-won gains but also deliver stronger growth and job creation. After 5 years of reforms and tenacious fiscal consolidation, risks from reform fatigue and loss of social support are high, especially as growth remains feeble and crime escalates. Addressing some of the entrenched structural problems that hamper growth is not an overnight task; these difficult reforms require continued broad-based support and policymakers' commitment to persevere with the implementation.

Table 1. Jamaica: Selected Economic Indicators 1/

Population (2013): 2.8 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar

Per capita GDP (2014): US$4955
Literacy rate (2015)/Poverty rate (2015): 87%/21.2%
Unemployment rate (Oct. 2017): 10.4%

				Prog.	Est.	Projections				
	2014 /15	2015 /16	2016 /17	2017 /18	2017 /18	2018 /19	2019 /20	2020 /21	2021 /22	2022 /23
	(Annual percent change, unless otherwise indicated)									
GDP and prices										
Real GDP	0.2	1.0	1.3	1.6	0.9	1.7	1.9	2.1	2.2	2.3
Nominal GDP	7.3	7.6	5.7	6.0	5.8	6.8	6.9	7.2	7.3	7.4
Consumer price index (end of period)	4.0	3.0	4.1	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	7.2	3.4	2.4	4.3	4.7	5.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	115.0	122.0	128.7	…	…	…	…	…	…	…
Exchange rate (average, J$/US$)	113.1	118.8	127.3	…	…	…	…	…	…	…
Nominal depreciation (+), end-of-period	5.0	6.1	5.4	…	…	…	…	…	…	…
End-of-period REER (appreciation +) (new methodology) 2/	-0.2	-2.2	-2.6	…	…	…	…	…	…	…
Treasury bill rate (end-of-period, percent)	7.0	5.8	6.3	…	…	…	…	…	…	…
Treasury bill rate (average, percent)	7.8	6.3	6.1	…	…	…	…	…	…	…
Unemployment rate (percent) 3/	14.2	13.3	12.7	…	…	…	…	…	…	…
	(In percent of GDP)									
Government operations										
Budgetary revenue	26.3	27.0	28.0	28.8	29.3	29.3	29.2	28.9	28.8	28.6
Of which: Tax revenue 4/	23.7	24.5	25.8	25.6	26.0	25.7	25.7	25.6	25.6	25.6
Budgetary expenditure	26.8	27.3	28.4	29.1	29.2	29.5	28.8	28.8	28.3	27.8
Primary expenditure	18.8	19.9	20.4	21.8	22.2	22.3	22.2	22.4	22.3	22.1
Of which: Wages and salaries	9.7	9.6	9.4	9.6	9.6	9.2	9.1	9.0	8.8	8.8
Interest payments	8.0	7.4	8.0	7.3	7.0	7.1	6.6	6.3	6.0	5.7
Budget balance	-0.5	-0.3	-0.3	-0.3	0.1	-0.2	0.4	0.2	0.5	0.8
Of which: Central government primary balance	7.5	7.2	7.6	7.0	7.0	7.0	7.0	6.5	6.5	6.5
Public entities balance 8/	0.9	1.8	2.0	0.7	0.6	0.0	0.0	0.0	0.0	0.0
Public sector balance	0.4	1.6	1.7	0.4	0.7	-0.2	0.4	0.2	0.5	0.8
Public debt (FRL definition) 4/ 6/	…	…	113.9	107.1	104.1	98.3	93.7	87.9	83.2	78.0
Public debt (EFF definition) 5/ 7/	139.7	121.3	122.1	113.9	111.9	104.8	98.6	92.3	86.6	80.5
External sector										
Current account balance	-7.0	-2.0	-3.0	-2.5	-2.8	-3.0	-2.9	-2.8	-2.7	-2.6
Of which: Exports of goods, f.o.b.	10.2	8.3	8.8	8.8	9.3	10.4	10.3	10.1	9.9	9.9
Exports of services	15.5	14.8	15.8	14.8	14.6	14.5	14.2	14.1	14.0	13.8
Imports of goods, f.o.b.	36.4	30.1	31.7	31.9	32.6	33.2	32.9	32.6	32.2	32.0
Imports of services	19.8	19.5	21.4	21.5	21.2	21.1	21.3	21.3	21.3	21.2
Net international reserves (US$ millions)	2,294	2,416	2,762	3,282	3,066	3,219	3,833	4,238	4,614	5,273
of which: non-borrowed	1,335	1,470	1,936	2,470	2,253	2,428	3,062	3,469	3,867	4,526
	(Changes in percent of beginning of period broad money)									

Money and credit										
Net foreign assets	27.9	10.1	7.1	15.0	6.5	4.7	12.9	9.1	8.6	13.3
Net domestic assets	-22.3	8.6	15.4	-9.0	-0.7	2.1	-5.9	-2.0	-1.3	-5.9
Of which: Credit to the private sector	3.1	8.2	22.4	7.1	6.7	9.5	10.1	10.8	11.5	12.3
Credit to the central government	-15.2	5.5	0.4	1.3	1.8	5.2	0.5	-0.3	-1.7	0.0
Broad money	5.7	18.7	22.5	6.0	5.8	6.8	6.9	7.2	7.3	7.4
Memorandum item:										
Nominal GDP (J$ billions)	1,568	1,687	1,784	1,889	1,887	2,016	2,156	2,310	2,478	2,660

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.

8/ Projections for 18/19 reflect the special distribution from PCDF to Central Government, ahead of its reintegration by end 18/19.

INTERNATIONAL MONETARY FUND

JAMAICA

March 27, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE STAND-BY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

Context. Jamaica is entering its sixth year of economic reform. Through ongoing fiscal consolidation and active debt management, the public debt-to-GDP ratio is on a firm downward path. Macroeconomic stability is entrenched: inflation is well-anchored, the current account deficit has been reduced, foreign exchange reserves are being rebuilt, and supply-side reforms are improving the business environment. Nevertheless, the hoped-for growth dividends from these reforms have not fully materialized, in part due to recurring weather-related shocks and chronically high crime.

Focus. The Article IV Consultation examined how best to reorient scarce public resources toward their most productive uses; how to make agriculture more resilient, how to better invest in Jamaica's people, confront crime, and improve social outcomes; and what steps are needed to institutionalize Jamaica's inflation targeting.

Program issues. All quantitative performance criteria and structural benchmarks for the completion of the third review were met. The FY18/19 budget continues to target a 7 percent of GDP primary surplus. Revenue overperformance—a product of past reforms in tax and customs administration—is supporting a significant boost to spending on citizen security. A four-year wage settlement has been reached with unions representing 49 percent of central government employees. The government proposes modified performance criteria (PCs) for June 2018, new PCs for December 2018, and an amendment to the monetary policy consultation clause (to better align the Stand-By Arrangement with the Bank of Jamaica's own inflation target band). Upon completion of the review, an additional SDR 160.8 million would be made available to Jamaica, bringing the total accessible credit to about SDR 712.9 million. The Jamaican authorities continue to view the SBA as precautionary.

Approved By
Nigel Chalk (WHD) and Zeine Zeidane (SPR)

Discussions took place in Kingston during February 26–March 9, 2018. Staff representatives comprised U. Ramakrishnan (head), J. Wong, K. Youssef (all WHD), M. Farid (SPR), R. Lam (FAD), and C. Lonkeng (Resident Representative). They were assisted at headquarters by A. Veras and P. Cifuentes Henao, and at the Resident Representative Office by T. Bryson, T. Ennis, and C. Ritchie. Mr. Williams (OED) participated in the discussions.

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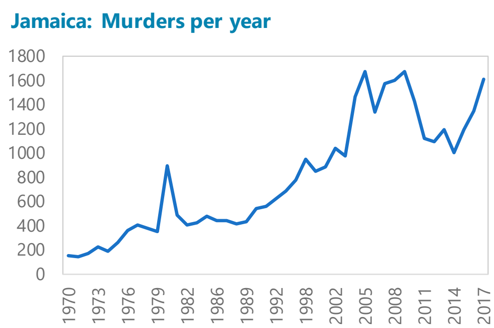
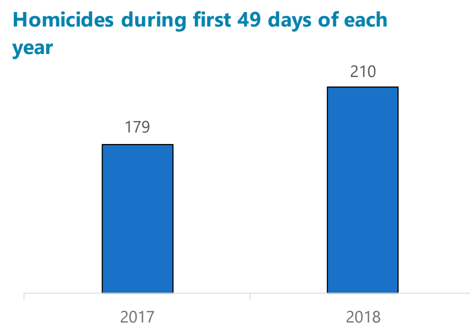
POLITICAL CONTEXT

1. **The government remains committed to its economic reform program, supported by the IMF's Stand-By Arrangement**. After the October 2017 by-elections, the Jamaica Labor Party (JLP)-led administration has now increased its parliamentary majority (to 3 seats). The government remains committed to its strategy of steadily reducing public debt and pursuing supply-side reforms to remove impediments to growth. However, high levels of crime dominate the national dialogue: 210 homicides have already occurred in the first 49 days of 2018 and states of emergency have been put in place in the St. James parish and parts of the St. Catherine parish.



Source: Jamaican newspapers and Ministry of National Security



Source: The Jamaican Gleaner and Ministry of National Security

A LOOK BACK AT THE AUTHORITIES' ACHIEVEMENTS

2. **Tough, but necessary, reforms have been ongoing for five years and across two administrations.** A 4-year arrangement under the Extended Fund Facility (EFF) was approved in May 2013. At that time, public debt was 145 percent of GDP, reserves had dropped to around 11 weeks of goods and services, and Jamaica faced a serious risk of a balance of payments crisis. Sustained fiscal discipline and a multitude of supply-side reforms have helped re-establish macroeconomic stability and put the public debt on a downward path. Following 13 successful reviews, the extended arrangement was replaced by a 3-year Stand-By Arrangement (SBA) in November 2016, with access of SDR 1.195 billion (US$1.69 billion or 312 percent of quota). At the time of approval, the authorities indicated their intention to treat the arrangement as precautionary. The SBA expanded the EFF's focus on macroeconomic stabilization to include a strategy that targeted raising growth, creating jobs, reforming the tax system, and protecting society's most vulnerable.

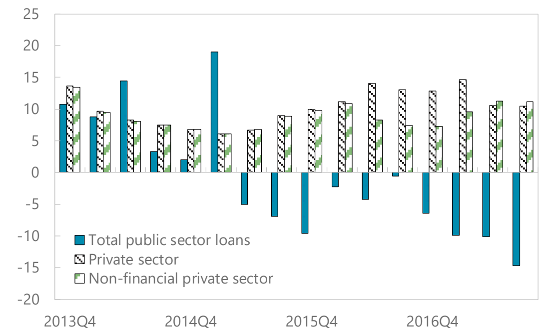
3. **Strong and broad-based ownership has been a cornerstone of the Fund's engagement with Jamaica.** Various stakeholders came together to support the EFF and SBA programs (including the private sector, government, unions, academia, think tanks, civil society and both major political parties). This has allowed for a sustained domestic participation in the design and monitoring of the program across two governments (first through the Economic Programme Oversight Committee under the EFF, and now with the addition of the Economic Growth Council and the Public Sector Transformation Oversight Committee for the ongoing SBA).

4. **Progress has been achieved on several fronts.**

- **Sustained fiscal discipline has placed public debt on a firm downward path.** The Fiscal Responsibility Law (FRL) is anchored on a public debt target of 60 percent of GDP by FY25/26. Achieving this target has been a central pillar of the economic reform program, leading the government to sustain a remarkable record of primary surpluses (of over 7 percent of GDP since FY13/14). This, together with active debt management (including a 10 percent of GDP debt reduction from the PetroCaribe debt buyback in 2015) and a significant decline in financing costs, have supported a fall in the government's interest bill to a projected 7 percent of GDP in FY17/18 (the lowest since FY95/96). Debt is projected to fall below 100 percent of GDP by end-FY18/19.

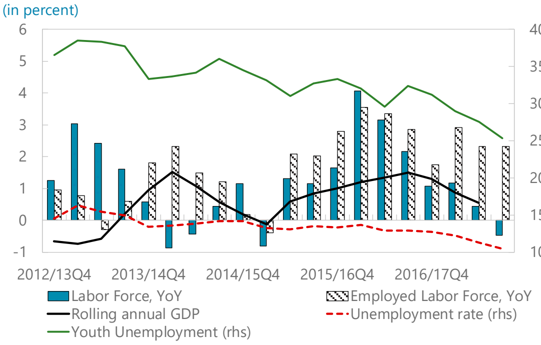
- **Macroeconomic stability has become entrenched.** Since FY13/14, inflation has nearly halved, the unemployment rate has declined by over 6 percentage points, and the current account deficit has fallen by nearly 5 percentage points of GDP. Gross international reserves are now at 27 weeks of imports (and rising), and FDI inflows have returned to pre-crisis levels (of around 4 percent of GDP). Private sector credit is growing briskly as confidence in the economy strengthens (credit growth averaged around 10 percent per year since end-2013).

Credit growth
(in percent, YoY)



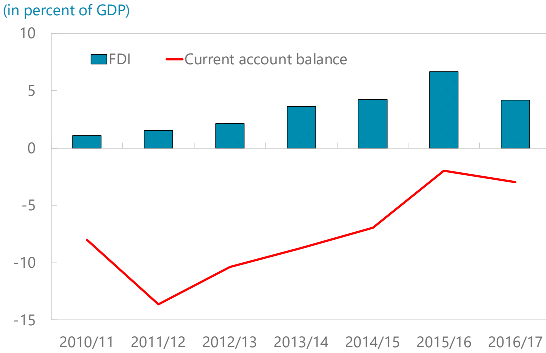
Sources: BOJ

Employment and growth
(in percent)



Sources: STATIN, IMF staff calculations
Note: Youth unemployment includes categories until age 24

Current account and foreign investment
(in percent of GDP)



Sources: BOJ, IMF staff calculations

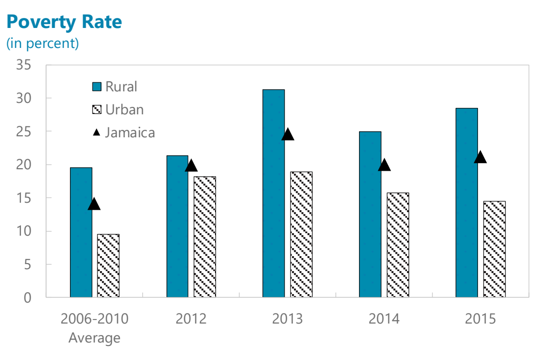
- **Wide-ranging fiscal reforms have broadened the tax base and increased revenue collections.** Most general consumption tax (GCT) exemptions and discretionary waivers were eliminated, and a revenue-neutral personal income tax reform enhanced efficiency by shifting from direct to indirect taxation. The Large Taxpayers' Office has been strengthened, and efforts to contain the effect of transfer pricing has been put in place. The results of these efforts are evident with tax revenues now consistently overperforming budget targets and tax expenditures, falling (from over 8 percent of GDP in 2008 to 3 percent of GDP by 2016).

- **Protection for the poor have been strengthened.** Social spending has been increased by 25 percent in real terms since the SBA was put in place. Importantly, the budget allocation for Jamaica's main social assistance program (Program for Advancement Through Health and Education, PATH) and the school feeding program was significantly expanded.

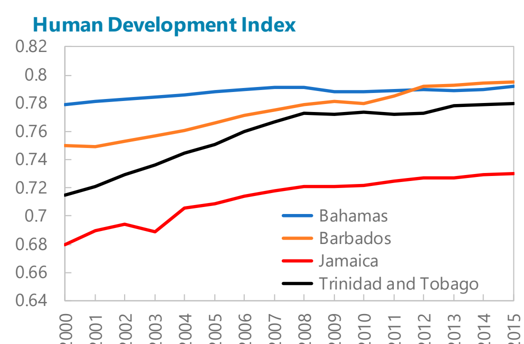
- **The monetary policy toolkit has been modernized.** To build the institutional framework for inflation targeting, the Bank of Jamaica (BOJ) has upgraded its monetary operations, including switching to the overnight rate as the policy rate. FX auctions were introduced in mid-2017, and FX surrender requirements are being phased out, supporting price discovery and transparency in the currency market.

- **Financial sector resilience has been strengthened.** The legal and institutional risks of the securities dealers' industry have been reduced by introducing a trust framework for retail repos. Work is also underway to address liquidity, credit and leverage risks. Financial sector supervision has been enhanced through the Banking Services Act and amendments to the BOJ Act, and the BOJ has been given responsibility for system-wide financial stability.

5. **While much has been achieved, the expected living standard dividends have not materialized for too many Jamaicans.** Real GDP growth has averaged 0.9 percent in the last four years (no different from the long-run historical average). Activity has been strong in tourism, construction, and (until recently) manufacturing. However, agriculture—a key employer in Jamaica—has been affected by recurrent weather shocks. In addition, escalating crime, poor infrastructure, and chronic supply-side rigidities have impeded the achievement of better social outcomes. Regrettably, the latest available data for 2015 indicate that rural poverty increased (although there has been a notable fall in urban poverty).



Source: STATIN and PIOJ
Note: From Jamaica Survey of Living Conditions. Survey was not conducted in 2011



Source: UNDP

OUTLOOK AND RISKS

6. **Job gains are being sustained despite slow growth.** The number of people employed in October 2017 reached a historical high (1.21 million), and the unemployment rate has steadily declined. Youth unemployment has shown significant gains, falling by 7 percent (to 25.4 percent) over the past year. Business and consumer confidence remain near all-time highs. Nonetheless, GDP growth is estimated to have been a disappointing 0.5 percent in 2017. Weakness in agriculture and

mining (despite growth in the latter in Q4 2017), and a deceleration in manufacturing, offset growth in tourism and construction. The growth forecast is being revised down to 0.9 percent in FY17/18 and about 2¼ percent in the medium term; expected growth dividends from 5 years of reforms are somewhat offset by remaining structural issues, crime, and implementation capacity constraints.

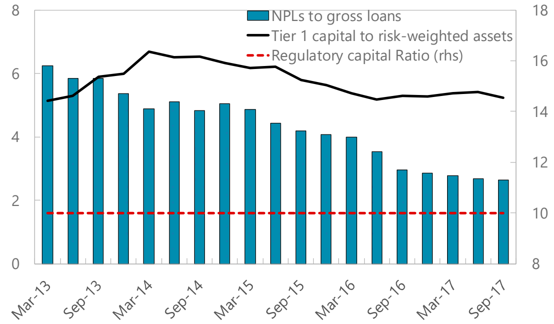
7. **Inflation remains well-anchored.** Despite successive increases in consumption taxes and higher oil prices, inflation has remained muted. However, over the past year, damage to crops from flooding added to food inflation and raised CPI inflation to 5.2 percent (y/y) in December 2017. The higher food prices have begun to unwind in 2018, with inflation in February at 4.4 percent. Core inflation has remained low (2.7 percent in February 2018), in part due to weak domestic demand. Both headline and core inflation are expected to steadily approach the midpoint of the BOJ target band (4-6 percent) over the medium-term.

8. **The balance of payments is being supported by improving competitiveness.** The current account deficit remains relatively low (estimated at 2.8 percent of GDP in FY17/18). It is expected to shrink over the medium-term, as oil prices remain contained and tourism earnings improve. Low inflation has resulted in a slight depreciation of the real effective exchange rate, on average, during 2017. As the balance of payments has strengthened, the BOJ has been able to reduce its role in the FX market (reducing surrender requirements and moving to a more market-based mechanism for buying and selling reserves).

9. **Financial system vulnerabilities are being progressively addressed.** Greater economic stability has lowered credit risks (NPLs are around 2 percent of assets at end-2017) and allowed banks to build capital (to about 14 percent of risk-weighted assets, well above the 10 percent regulatory minimum). Liquidity risks appear manageable, a steady fall in real interest rates has supported credit creation, and banks' FX assets and liabilities appear to be broadly matched. However, growing on and off-balance sheet linkages (between domestic, regional, and foreign conglomerates) could create a broader channel of contagion from foreign market volatility to the domestic system.

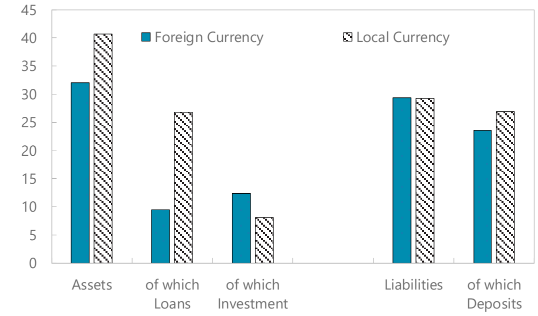
10. **Reform fatigue and constraints to implementation capacity pose risks to the government's economic program (Annex I)**. Continued sluggish growth, high crime, and worsening rural poverty all risk undermining public support for the government's policy efforts. Delays in settling public sector wage negotiations are generating fiscal uncertainty and Jamaica's debt remains vulnerable to shocks, including from natural disasters (Annex II). Lower growth in advanced economies, particularly in the U.S., could hurt Jamaica's tourism sector and weigh on remittance inflows.

Bank capital and asset performance
(in percent)



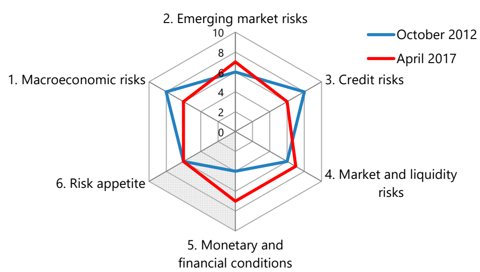
Source: BOJ

Banking Sector Assets and Liabilities, FY 2016/17 Average
(in percent of GDP)

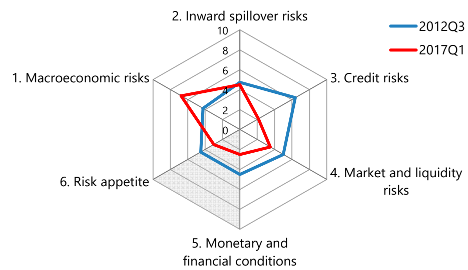


Sources: BOJ and staff calculations

Jamaica: Financial Stability Maps



Note: Away from the center signifies higher risks, easier monetary and financial conditions, or higher risk appetite.



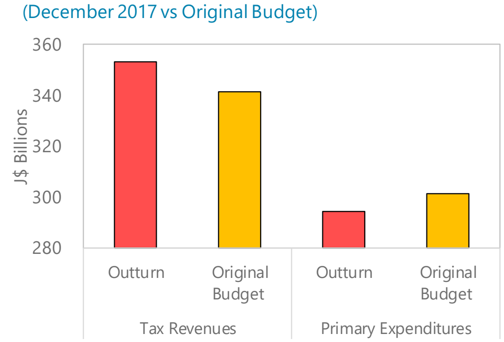
Note: Away from the center signifies higher risks, easier monetary and financial conditions, or higher risk appetite. The increase in macroeconomic risks at 2017Q1 is related to the weaker economic outlook due to weaker investment.

Authorities' Views

11. **The authorities broadly concurred with the outlook and risks.** The authorities' project slightly higher growth than staff, but they acknowledge the downside risks to their baseline forecast for FY18/19, particularly the risk associated with alumina production. Potential growth is expected to be closer to 2 percent, held down by poor capacity in project implementation and the broader effects of crime.

PROGRAM PERFORMANCE

Revenues and Expenditure Outturns
(December 2017 vs Original Budget)



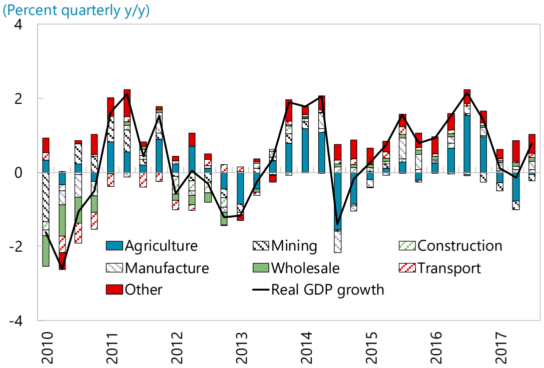
12. **Strong program implementation continues.** All quantitative performance criteria and indicative targets for end-December were met. Revenues from the corporate income tax and consumption tax have been buoyant, while protracted wage negotiations kept spending below target. Capital spending has been above budget projections, as anti-crime spending has ramped up. Inflation was within the target band and non-borrowed NIR was US$752 million above the end-December target.

Figure 1. Jamaica: Recent Developments

Growth in agriculture and mining remain elusive…

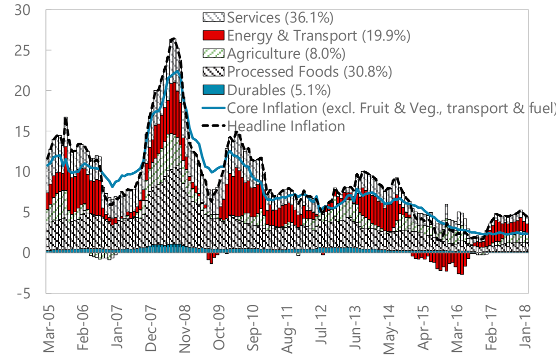
Contribution to Real GDP Growth

(Percent quarterly y/y)



… as inflation remains subdued.

Inflation and contributions

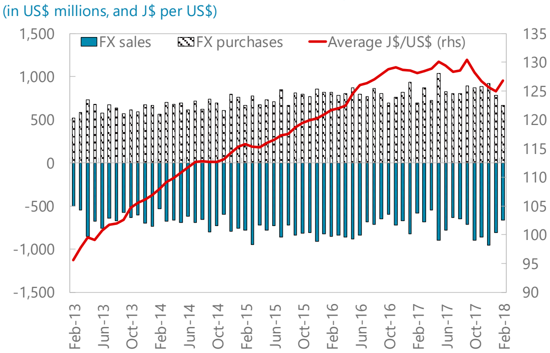


Sources: BOJ

The exchange rate is adjusting to market conditions…

Exchange rate and FX market activity

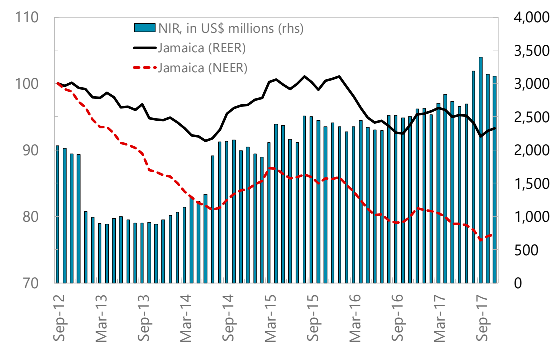
(in US$ millions, and J$ per US$)



Source: BOJ

… as reserve accumulation continues

Competitiveness and Net International Reserves

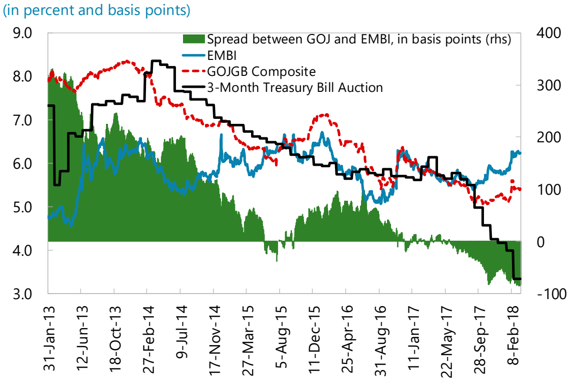


Sources: BOJ and IMF staff calculations

Bond markets remain reassured…

Jamaica borrowing cost

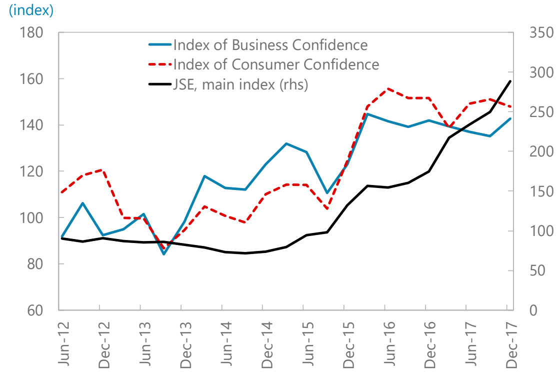
(in percent and basis points)



… and confidence remains high

Confidence and stock market

(index)



Jamaica: Program Monitoring—Quantitative Performance Criteria Under the Stand-By Agreement 1/2/
(in billions of Jamaican dollars)

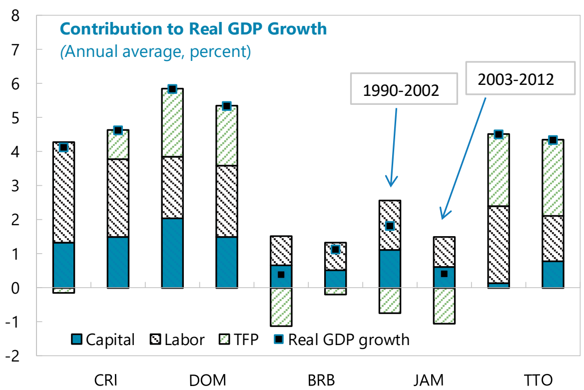
	end-December 2017			Difference	PC Status end-December 2017
	PCs	Adjusted PCs	Actual		
Fiscal targets					
Performance Criteria					
1. Primary balance of the central government (floor) 3/	59.0		96.5	37.5	Met
2. Overall balance of the public sector (floor) 3/	-44.3	-48.7	1.5	50.2	Met
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0		-7.2	7.2	Met
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0		-0.6	0.6	Met
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0		-12.3	12.3	Met
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0		0.0	0.0	Met
Indicative targets					
7. Tax revenues of the central government (floor) 3/	328.0		353.1	25.1	Met
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	3.5	7.9	-0.1	8.0	Met
9. Central government spending on social programs (floor) 3/ 7/	18.3		22.1	3.8	Met
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0		1.3	1.7	Met
Monetary targets					
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	1,777	1,781	2,534	752	Met
12. *Monetary policy consultation clause (in percent)*					
Upper band	8.5				
Center inflation target	5.0		5.2		Met
Lower band	1.5				

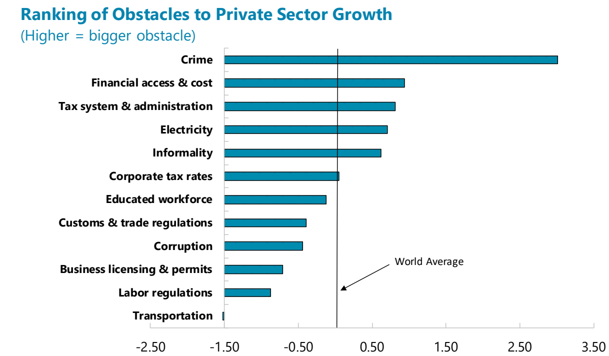
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Cumulative flows from April 1 through March 31.
4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.
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.

13. **Structural policies are moving forward but several actions have been delayed.** Structural benchmarks on public sector transformation were all completed on time. Nonetheless, protracted wage negotiations have delayed the government's plans to standardize public sector pay scales. In addition, the parliamentary submission of the revised Customs Act has been delayed by a year to allow for further legislative drafting and stakeholder consultation. The submission of the Micro Credit Act has been pushed to May 2018.

A PATH TO SUSTAINED AND INCLUSIVE GROWTH

14. **Jamaica's growth impediments are numerous, chronic and severe**. Negative growth in total factor productivity is the main problem and, as diagnosed in the 2016 Article IV report, is a product of shortcomings in citizen security, access to finance, and the business environment. Increasing resilience of agriculture and improving outcomes for women and children would enhance living standards for the entire population.





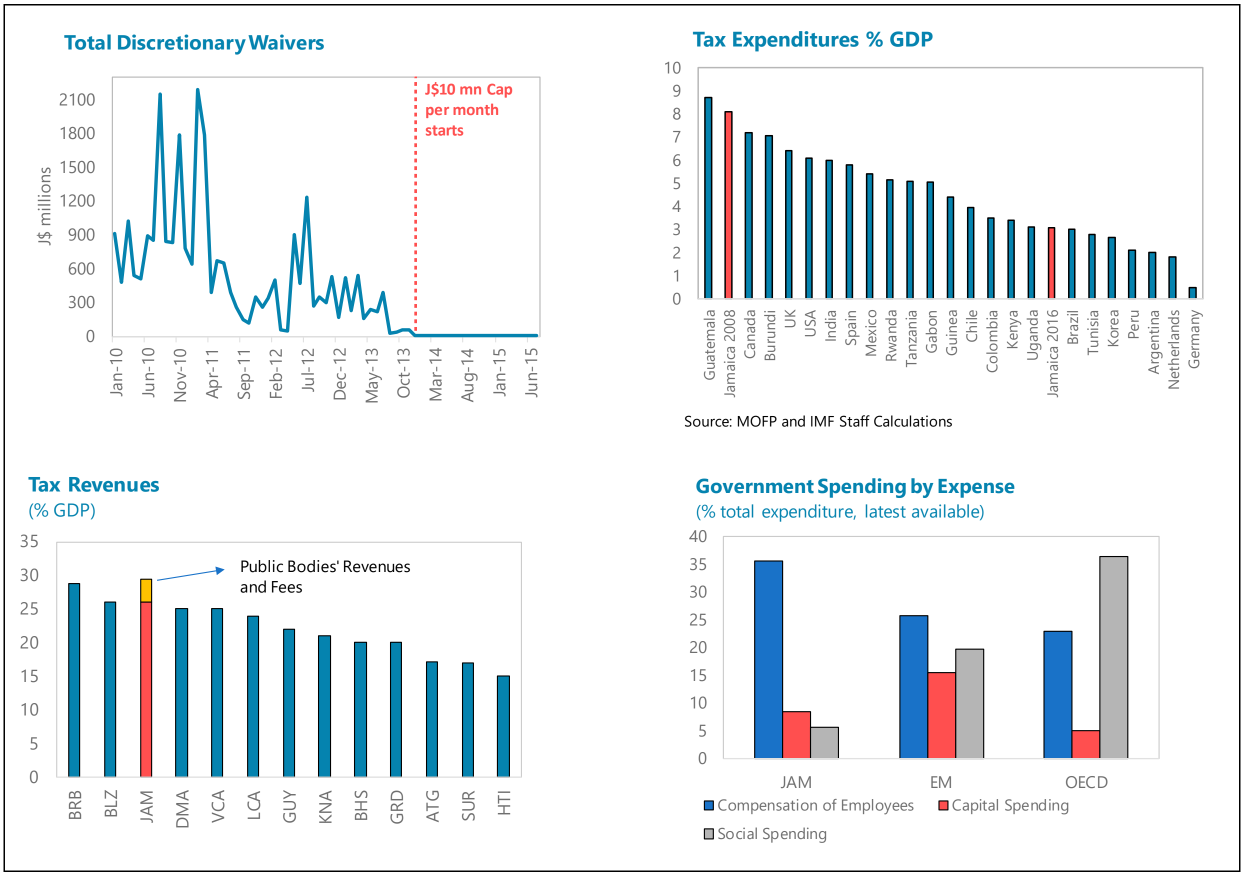
*Severity scores are calculated for a range of growth constraints. Each score has two components: 1) h
critical an obstacle is for the private sector development, according to Jamaican firms' self-assessment
data from enterprise surveys; 2) Jamaica's quality of provision in each constraint categories, with data f
the World Development Indicators and WB Doing Business. Both components are computed as standa
scores of Jamaica in comparison to other countries. The two components are then added together to a
at the final severity score for each growth obstacle.

A. Addressing Structural Weaknesses in the Fiscal System

15. **The government urgently needs to reduce the public sector wage bill**. So far, containing the wage bill has mostly relied on nominal wage freezes and accounting changes in line with the chart of accounts that shift spending outside of wages (including reclassifying government statutory contributions and increasing non-wage and quasi-fiscal benefits). This has created a complex and inequitable wage structure and precipitated extended negotiations with unions. Sustainably reducing the wage bill will require fundamental reforms to:

- Create a standardized and equitable pay structure that focuses on appropriately rewarding performance and retaining skilled employees;
- Simplify the vast number of allowances, and employment classifications and contracts;
- Impose stronger controls over hiring and the creation of new positions;
- Improve institutional data collection and monitoring systems;
- Reprioritize government functions and shed those activities that are either no longer needed or cannot be afforded; and
- Rebalance the capital-labor mix by introducing technology upgrades and expanding training and human capital accumulation for public employees.

These measures have been consistently proposed in the course of the IMF's engagement with Jamaica for over a decade, but progress has been minimal. Unavoidably, implementing such measures will require a reduction in public sector employment. Nonetheless, to create space for productive spending on the government's priorities—on crime reduction, infrastructure, health, education and social assistance—these changes will be essential. Such a reallocation of scarce public resources carries the potential to improve service delivery in crucial functions with suitably remunerated and motivated employees.



Source: MOFP and IMF Staff Calculations

16. **Policies should continue to shape a tax system with broad-bases, low rates, and uniform rules for all sectors.** After the significant Omnibus incentives reform of 2013, the revenue loss from tax expenditures fell from a high of 8 percent of GDP in 2008 to 3 percent of GDP in 2016 and the government mostly eliminated discretionary waivers to tax provisions (which were losing more than 1 percent of GDP in revenues). Sustaining these efforts will require (Annex III):

- Harmonizing CIT rates across all sectors.
- Phasing out asset taxes.
- Phasing out the stamp duty and the transfer tax in a revenue neutral manner.
- Avoiding special tax regimes (including the one anticipated for the International Business Companies which encourages offshore financial services).
- Eliminating remaining incentives for Large-scale Projects and Pioneer industries, tourism, bauxite, Urban Renewal and the Junior Stock Exchange.

17. **Public financial management (PFM) and revenue administration reforms will be essential to enhance expenditure efficiency and safeguard the revenue base.** Continued PFM reforms should transform the Accounting General's Department (AGD) into a modern treasury, by building a consolidated set of fiscal accounts for the public sector; continue to centralize revenue collection, payment processing and commitments control within the treasury; further improving

reporting of expenditure categories, and enhancing management and reporting of assets and liabilities. These reforms are critical to entrench fiscal accountability, which is a precondition for creating a fiscal council (or similar oversight institution) to support enforcement of the Fiscal Responsibility Law. Further improving coordination between tax and customs administration will be needed (especially as the upcoming Special Economic Zones regime comes into effect). Steps should also be taken to strengthen the collection of tax arrears, through garnishing taxpayer assets, entering into installment agreements, and identifying write-offs.

Authorities' Views

18. **The authorities are committed to taking the necessary steps to achieve fiscal sustainability.**

- The authorities recognized the trade-offs posed by the wage bill, and noted that work on durable measures to lower it will soon get underway, including accelerating data collection. They stressed that employment reduction should be weighed against the negative impact it could have on service delivery. Authorities further noted that reforms should focus on efficiency gains rather than a direct reduction in public sector employment. Re-examining non-wage benefits would be part of the planned overhaul of the compensation structure that the Government aims to put in place by FY21/22, in time for the next round of wage negotiations.

- The authorities affirmed their intent to pursue a broad-based tax system with lower rates and equal rules. The government's Tax Reform Working Group is examining options for a comprehensive, revenue-neutral reform to phase out the asset tax, stamp duty, and transfer tax, and harmonize the CIT rate across sectors.

- The authorities underscored their strong commitment to boost fiscal capacity, accountability, and transparency to preserve the fiscal gains already achieved and meet the debt target mandated under the Fiscal Responsibility Law. They also stressed the central role the Ministry of Finance plays in budget execution and monitoring. As such, any transition of key functions currently undertaken by the Ministry of Finance to either the AGD or to a fiscal council would need careful consideration.

B. Institutionalizing Inflation Targeting

19. **Modernizing the central bank is crucial for a credible inflation targeting (IT) regime.** A stronger institutional basis for the inflation targeting framework will further help anchor inflation expectations and provide greater predictability of policies. This would be facilitated by submitting to Parliament the proposed amendments to the Bank of Jamaica (BOJ) Act which will define price stability as the central bank's primary mandate, strengthen the BOJ's balance sheet, and improve the BOJ's governance structure and accountability framework. A comprehensive communication protocol for monetary operations and policy decisions will need to be a central element of the monetary policy framework including publicizing the policy meeting schedule, conducting regular press briefings, publishing meeting minutes, and producing inflation reports.

20. **Steps are needed to support FX market development.** The BOJ has begun to lower FX surrender requirements to encourage a greater volume of transactions to go through the currency market. Further reductions should be based on periodic reviews to balance market development with the need to accumulate FX reserves. Given the transition to a market-based FX reserve accumulation strategy, FX sales should be strictly limited to periods of disorderly market conditions. Over time, FX buy auctions should become the primary tool for reserve accumulation. Public sector enterprises should gradually transition to meeting their FX needs through market purchases (instead of bilaterally from the BOJ). The BOJ should also establish a code of conduct for transacting in the FX market to define the rules and responsibilities of the main counterparties.

Authorities Views

21. **The authorities concurred with the importance of putting in place a credible IT framework**. They envisage submission to Parliament of amendments to the BOJ Act by October 2018. The central bank also remains committed to limiting FX sales to times of excess volatility and agreed to continue phasing out the BOJ's presence in the FX market in order to facilitate market development. The BOJ has announced its intent to begin buy-side FX auctions and a FX market code of conduct is to be introduced by end-June. They noted that intensive public communication of central bank policies is ongoing, with a series of educational articles on FX market development, and the central bank has begun to publish a one-year ahead schedule of policy announcements.

C. A Stronger, Growth-Supporting Financial System

22. **Several ongoing reforms will help strengthen supervision and regulation.** Specifically:

- Risk-based supervision continues to be improved using results from regular stress testing for banks, insurers, and securities dealers. In addition, consultations with the securities' dealer industry are ongoing on large exposure limits, and leverage and liquidity limits;

- The authorities are reviewing the scope of allowable investment assets for all sectors, starting with pension funds; and

- Reform of the Special Resolution Regime for non-viable financial institutions, and the insolvency framework for financial institutions are on track for parliamentary submission in January 2019.

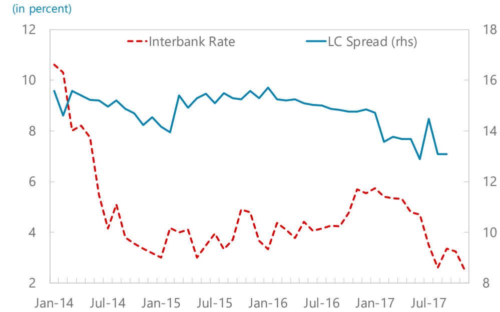
- A Financial Sector Assessment Program (FSAP), planned for mid-2018, will conduct a full assessment of Jamaica's financial sector, and examine ongoing and needed reforms (the last FSAP was in 2006).

23. **Strengthening debt management and deepening domestic debt markets are essential for financial development and stability.** Jamaica's large FX debt exposure creates risks (Annex II). Where feasible, upcoming bond redemptions should continue to be refinanced in the domestic market to rebalance the debt portfolio from FX to local currency. Efforts should continue to develop a liquid benchmark yield curve to help deepen the interbank debt market and to increase secondary market trading in domestic government debt, accompanied by a stronger primary dealer framework.

24. **Efforts to strengthen the AML/CFT regime and mitigate the risks of a loss of correspondent banking relationships (CBRs) should continue.** While the withdrawal of CBRs remains contained in Jamaica, strengthening the AML/CFT regime, in line with recommendations from the CFATF 2017 Mutual Evaluation, will help avoid potential disruptions and reputational loss for the financial sector. The authorities are working to strengthen AML/CFT regulations and developing a risk-based supervisory framework for deposit taking institutions and cambios, with IMF technical assistance. Caution is needed in introducing any tax regime that promotes International Business Companies since it is likely to create significant risks, including on the ML/TF front.

25. **Improving financial inclusion and reducing the deposit-loan rate spread are vital for financial development and growth.**

Domestic lending rates
(in percent)

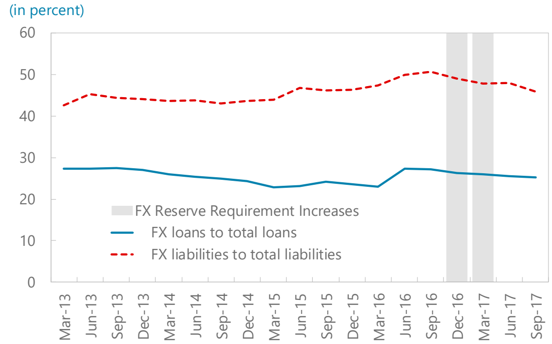


Sources: BOJ

- There have been significant delays in procuring the study of banking sector competition (with its conclusion now deferred to end-2018). The study is critical to better understand some of the structural rigidities of the banking sector, which could be sustaining high deposit-loan rate spreads, and will help inform the nature of reforms needed to lessen the costs of financial intermediation. The new credit reporting system will also help lower borrowing costs; other structural reforms underway, such as the micro-credit act and updated insolvency and foreclosure procedures, will also reduce such costs.

- Private credit growth has been concentrated in loans to households and larger corporates; lending to MSMEs enterprises comprises only 13 percent of the total loan portfolio (or just under 5 percent of GDP). Accelerating implementation of the National Financial Inclusion Strategy, developed with World Bank support, will be key to improve access to microinsurance, agency banking services, regular saving products, and factoring. Further improving utilization rates for the Development Bank of Jamaica's (DBJ) partial guarantee program will help provide credit for smaller businesses. The World Bank is supporting the introduction of a movable collateral framework and the creation of a private-public SME Fund for risk capital financing.

Banks' foreign currency assests and liabilities
(in percent)



26. **Concerns about debt and deficits, in addition to sustained periods of high inflation and currency depreciation have contributed to high rates of dollarization**. BOJ stress tests indicate banks are resilient to currency-related shocks. Nonetheless, sustaining the authorities' track record of policy credibility, macroeconomic stability, and flexible exchange rate will support confidence in local currency instruments. Deepening domestic financial markets for J$ debt and developing FX hedging instruments to reduce currency risk will also support de-dollarization. The authorities

should complement these efforts with prudential measures including stricter limits on net open FX positions, higher reserve requirements for FX deposits, and remunerating local currency reserves.

Authorities' Views

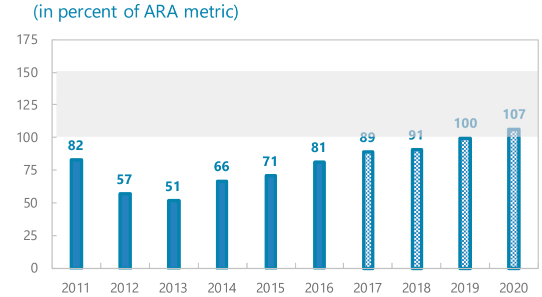
27. **The authorities appreciate the effort from the IMF and other multilateral partners to support financial system development and stability**.

- The authorities agreed that the rising dollarization of government debt needs to be addressed through active policy measures and further developing the domestic debt market. With regard to dollarization in the financial system, they are assessing further options, including the scope for adjusting reserve requirements and facilitating markets for hedging instruments.
- On the banking competition study, authorities noted that the procurement should be completed by mid-May, and the study completed in 6 months thereafter. They reiterated their commitment to financial inclusion and highlighted the work of the National Financial Inclusion Council and the DBJ, with support from international partners.
- The authorities are committed to addressing weaknesses in AML/CFT identified in the mutual evaluation report, and welcomed the IMF's role in bringing together public and private sector stakeholders at roundtables to discuss solutions to CBR pressures.

D. Competitiveness and External Sustainability

28. **Reserve accumulation is key for external sustainability.** Jamaica's external reserves position has improved significantly since 2013, when it was only at 51 percent of the Assessment of Reserve Adequacy (ARA) metric. As of end-2017, Jamaica's level of international reserves was about 89 percent of the ARA metric, and is projected to reach 100 percent by end-2019. Going forward, the BOJ will continue to review further phasing out surrender requirements (¶20), and reducing reliance on borrowed reserves (accumulating FX reserves instead through market purchases).

Jamaica: gross International Reserves
(in percent of ARA metric)



29. **The external position is judged to be in line with medium-term fundamentals and desirable policies (Annex IV).** Nonetheless, various supply side bottlenecks pose constraints on Jamaica's competitiveness. The World Bank's Doing Business indicators show that Jamaica could improve contract enforcement, property registration, trade facilitation, and protecting minority investors. In addition, speeding-up development approvals, easing the procurement process, and developing a national land-use plan are key to reduce red-tape. Public sector efficiency and resource reallocation will be key to fund much needed infrastructure expenditures (e.g. water provision, sewage, electricity, and roads) to support private sector-led growth.

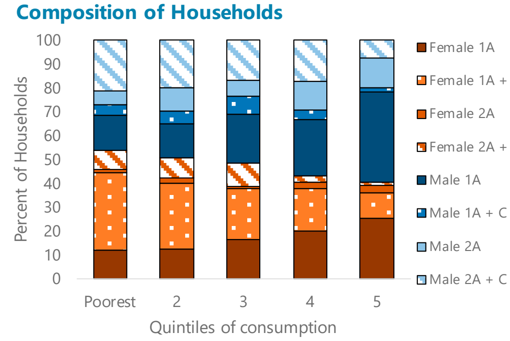
Authorities' Views

30. **The authorities agreed with the external assessment and reiterated their commitment to exchange rate flexibility.** They noted that FX reserves are on track to reach about 100 percent of the ARA metric by end-2019, supported by FX buy auctions as the surrender requirements are phased down. They agreed that structural reforms to improve the business environment are essential to boost growth and concurred that bottlenecks in development approvals and procurement processes must be swiftly addressed. They noted that once the new procurement handbook is completed by end-March, there will be a push to implement e-procurement for all government entities.

E. Improving Social Outcomes

31. **Resolving social issues that contribute to crime could boost economic growth (Box 1).**

Composition of Households



Note: "A" denotes number of adults in the households and "C" denotes the presence of children.

- The significant spike in homicides has prompted monitoring and deterrence measures but permanently reducing crime will require a broad-based strategy that boosts opportunities for the youth. Low school attendance and lack of skills among the youth, combined with a culture of physical violence towards women and children could be fostering a vicious cycle of low opportunities, violence, crime, and low growth. Policies should focus on retaining the youth in the education system, improving early childhood education, and tackling domestic violence.

- Enhancements to the level of benefits and coverage of the PATH program, expanding the school feeding program, and providing public provision of rural transportation could play key roles in lowering costs of school attendance.

- Expanding early childhood education and developing community and daycare centers has proven benefits in terms of educational outcomes. It would also alleviate childcare responsibilities, allowing parents to more quickly return to work. This will especially support female-headed single-adult households (the predominant household type in Jamaica), who disproportionately bear the onus of child-rearing through both direct resource costs and adverse labor force participation effects (Box 2).

- Shifting the composition of the security budget (which is focused on corrections and enforcement) towards prevention and youth programs could have significant returns in the long-run. Public campaigns to change attitudes towards violent behavior are also needed.

Authorities' Views

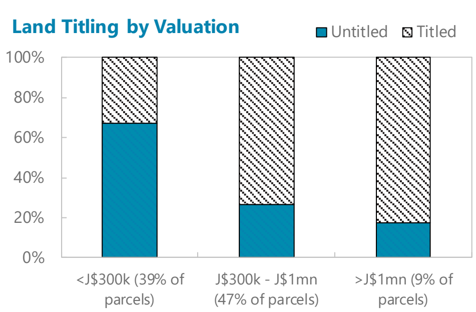
32. **The authorities agreed on the need to improve social outcomes.** They concurred with the need to boost resources towards crime prevention and stressed that the ongoing crime flare-up requires urgent action on enforcement and corrections. They noted that the increased allocation for capital expenditures to prevent crime will help enhance information and mobility for security units, which will have long-term positive impacts. They understood the need to improve community support and noted that the ongoing roll-out of the National Identification System (NIDS) will enhance citizen security through better record-keeping, and improve the targeting of social programs. They also noted that, given vulnerabilities of Jamaica's youth and the tight resource envelope, policies to support women should include improving outcomes for children.

F. Enhancing Resilience to Climate Change

33. **Jamaica's high vulnerability to weather swings warrants significant planning and resources to build resilience (Annex V).**

- Agriculture is key for Jamaica's growth, but performance in the sector is held back by poor road infrastructure and access to water, making the sector particularly vulnerable to recurring droughts and floods. Investment in rural road networks, irrigation, water delivery, and modernizing farming practices would have large potential payoffs in activity, resilience, and reducing rural poverty.

- Nearly two-thirds of Jamaica's smaller land parcels remain untitled, impeding small farmers' ability to obtain credit due to a lack of collateral. Land titling is particularly hampered by high registration costs (property transfer taxes and stamp duties, valuation reports, professional land survey, legal services, registration fees, and final title fee), and the absence of proof of ownership. Efforts to address these constraints will improve farmers' access to finance and allow them to make investments in machinery and irrigation.

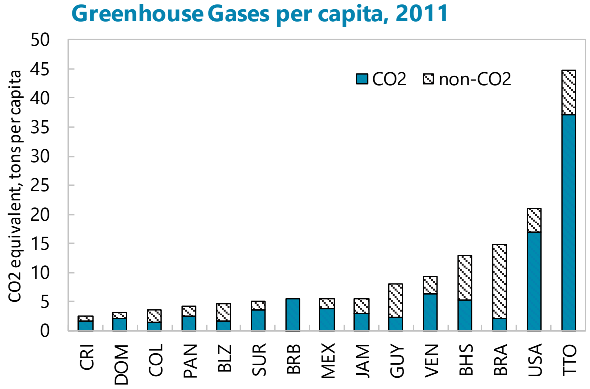


Source: National Land Agency and IMF Staff Calculations.

- Measures are also needed to reduce post-harvest crop losses including (i) building post-harvest surplus storage facilities that can link agriculture with manufacturing/distribution, and (ii) leveraging the planned Agri-linkages Exchange platform (ALEX) to strengthen links between agriculture and tourism. Maximizing gains from agriculture will require significant private sector investments and partnerships with the government to remove obstacles to the private provision of credit, working capital, and insurance.

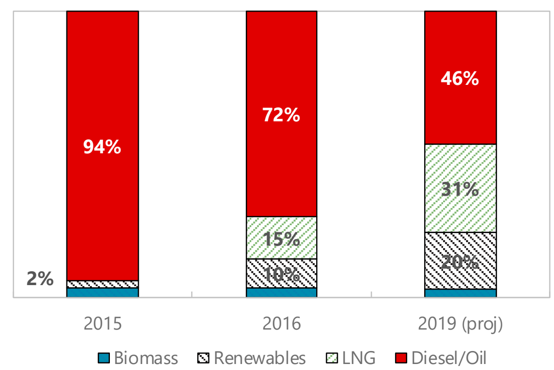
- **Efforts should continue to mitigate pollution and carbon emissions**. Nearly half of Jamaica's CO_2 emissions are from heavy fuel oil (HFO) and diesel. In this regard, the 2017 carbon tax was a first step in addressing greenhouse gases (GHG) and controlling pollution. This tax, once fully implemented, will set Jamaica on track to meet emissions targets. Jamaica also leads the Caribbean in advancing substitution from oil to LNG, further reducing emissions and mortality.

Greenhouse Gases per capita, 2011



Source. World Bank (2014).

Jamaica: Energy Generation Matrix



Source: Ministry of Science, Energy, and Technology and IMF Staff calculations

Authorities' Views

34. **The authorities agreed on the urgent need to enhance resilience, especially for agriculture.** Nevertheless, they noted that many of the reforms will require time and significant resources, even as scarce public funds are being prioritized towards security. That said, they highlighted the allocations already been made in both FY17/18 and FY18/19 for farm roads and ongoing improvements to irrigation and adaptation. The authorities agreed that private sector support and buy-in should be intensified, particularly to develop stronger domestic linkages, including cold storage facilities and a consolidator to clear the market.

PROGRAM POLICIES

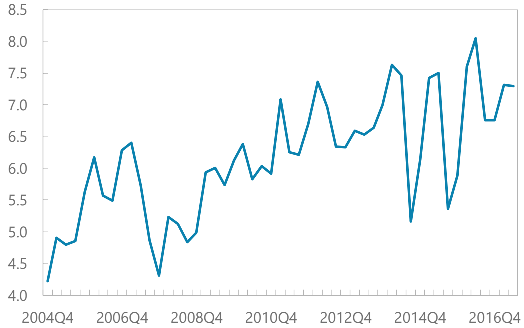
A. FY2018/19 Budget

35. **The FY18/19 budget maintains a primary surplus target of 7 percent of GDP.** Capital spending will increase by over J$11 billion (0.5 ppts of GDP) relative to FY17/18 budget, reaching 3 percent of GDP, with the majority of the increase allocated to addressing crime (J$7 billion). As in previous years, a small J$500 million contingency has been set for natural disasters. After a 50 percent increase in PATH and school feeding in last year's budget, social spending continues to be protected under the program. Public debt is projected to fall below 100 percent of GDP by end-March 2019.

Figure 2. Jamaica: Indicators of Weak Agriculture Resilience

Agriculture as a share of GDP is not very large, but…

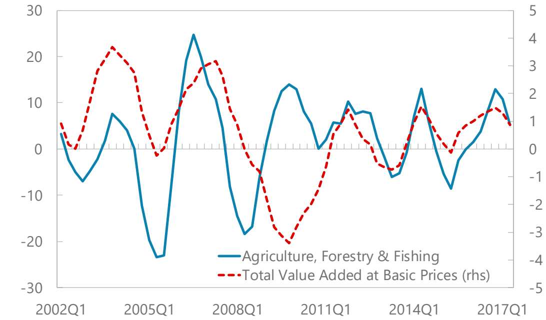
Share of agriculture in output
(in percent of GDP)



Sources: STATIN

there is high correlation between growth and agriculture

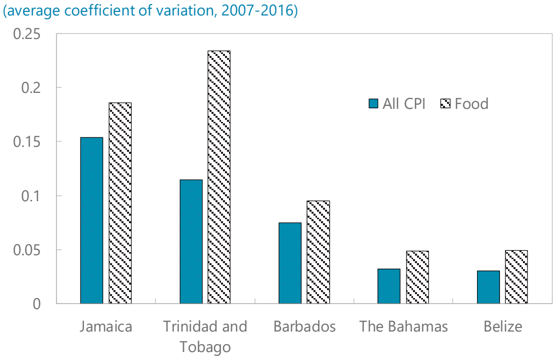
Rolling annual growth, quarterly FY2002-2017Q1
(in percent)



Source: STATIN

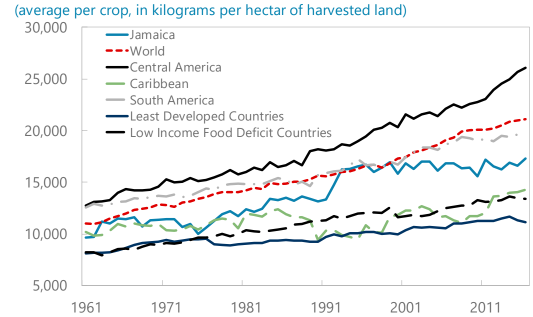
Food inflation volatility is high relative to peers…

Volatility of inflation
(average coefficient of variation, 2007-2016)



And agricultural productivity remains depressed…

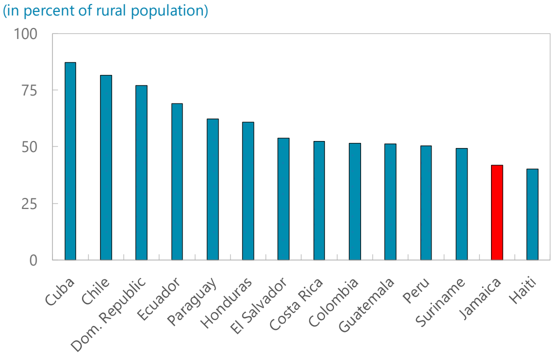
Average yield in Jamaica's important crops
(average per crop, in kilograms per hectar of harvested land)



Source: FAO
Note: includes bananas, cabbage, carrots, cassava, hot peppers, coffee, cucumbers, lettuce, okra, pineapples, plantains, potatoes, pumpkins, string beans, sugar cane, sweet potatoes, tomatoes, watermelons and yams.

which may be from the lack of timely access to water…

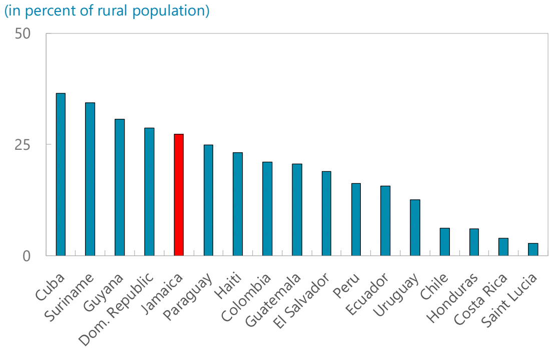
Water availability when needed in rural areas
(in percent of rural population)



Sources: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation

due to weak water infrastructure

Non-piped water delivery in rural areas
(in percent of rural population)



Source: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation

36. **With a number of the new wage agreements in place, the government should pursue sweeping compensation and public employment reform.**

- The government has signed a four-year wage agreement with unions representing 49 percent of all central government employees, including the Jamaica Confederation of Trade Unions. The settlement includes wage and salary increases of 5/2/4/5 percent for the four years from FY17/18, respectively. Non-wage benefits include a 5-year phase-in of the 5 percent pension contribution (equivalent to a cumulative loss of J$3.5 billion), discounts on secondary school fees, and subsidized public transportation. The agreement also includes a trigger for a review if inflation exceeds the 4–6 percent target band at the end of each fiscal year. Past agreements had such trigger if inflation exceeded the target band by more than 2 percentage points.

- Even though some wage negotiations are ongoing, the government intends to disburse the 5 percent increase for FY17/18 to all central government employees by end-March 2018, to safeguard the primary surplus in FY18/19 and be consistent with fiscal objectives in the FRL.

- Attention should now turn to reforming the compensation structure including the vast, non-transparent, and inequitable array of allowances (totaling 3 percent of GDP) and the complex structure of employment categories and groups spanning the central government (¶15).

- Meanwhile, the Special Early Retirement Program (SERP) application window concluded with a disappointing take-up. According to preliminary numbers, the final tally of applications is only 830 employees, which is likely to result in a negligible impact on the wage bill.

B. Public Sector Transformation and Fiscal Risks

37. **Efforts to rationalize public bodies by merging, closing, and outsourcing are continuing, albeit at a slow pace**. An additional 6 entities will be acted on by October 2018. Despite experience from the first two waves of public bodies' reforms, processes remain onerous and subject to delays, partly due to weak leadership in its execution. Authorities also plan to continue de-earmarking self-financed public bodies, with action on the PetroCaribe Development Fund being taken by end FY18/19. Notwithstanding these important efforts, there have been relatively little fiscal savings.

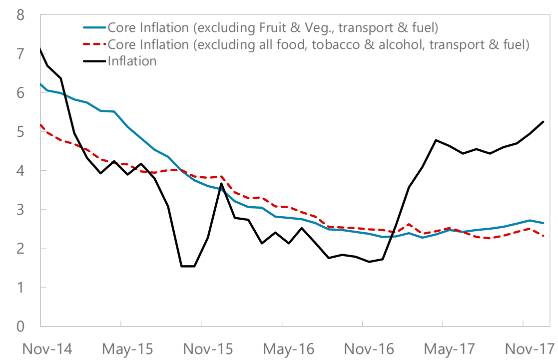
38. **Fiscal risks from public bodies need to be carefully managed.** The government is extending a US$100 million loan to the Petroleum Corporation of Jamaica (PCJ) in March 2018. These funds will be made available to Petrojam by PCJ (which is a shareholder of Petrojam) to alleviate the entity's financing difficulties due to U.S. sanctions on Venezuela, and help fund the first phase of the refinery upgrade. A contractual payment schedule has been established for full repayment in 10 years (with a moratorium on the amortization in the first two years). Authorities view the working capital funding and the upgrade as essential for Petrojam's medium-term profitability. On Clarendon Alumina Production (CAP), the Auditor General's analytical review found weak liquidity and solvency positions, exacerbated by CAP's inability to generate a positive return on its investment. CAP's operational costs are largely driven by its high energy bill, which is expected to drop as its new LNG plant comes onstream in 2019. Nonetheless, any further support to these

entities should carefully weigh real sector and employment considerations with central government fiscal cost and debt tradeoffs.

C. Monetary Policy

39. **Despite recent policy rate reductions, the output gap is widening and inflation risks are to the downside**. The effects of temporary supply-side shocks on food prices are already dissipating and core inflation is expected to remain subdued. Barring unforeseen events, keeping headline inflation at the midpoint of the BOJ's target range over the next 2-3 years will require further reductions in policy rates.

Jamaica - Inflation
(in percent)



40. **The monetary policy consultation clause (MPCC) is proposed to be narrowed to converge over time to the BOJ's own inflation target band.** Staff proposes that the MPCC, currently ±2.5 percent around 5 percent inflation, be modified to a target band of 5 percent ±1.5 percent in 2018 and ±1 percent in 2019. This will help signal BOJ's resolve to anchor monetary policy on inflation outcomes.

D. Other Program Issues

41. **The program remains fully financed and the capacity to repay the Fund is adequate.** There are program implementation risks (¶10) but the authorities' commitment to reforms remains strong. Macroeconomic stability has been entrenched, driving confidence to historical highs and reducing government borrowing costs to historical lows. Even under a downside scenario where the resources under the SBA are fully drawn, debt service to the Fund would remain at reasonable ratios.

42. **Quantitative Performance Criteria (QPC) for end-December 2018 and indicative targets for end-March 2019 are proposed.** Modification to the end-June 2018 QPCs for fiscal targets and the MPCC are proposed to reflect the FY18/19 budget and to better align the MPCC with the BOJ's medium-term inflation target band, respectively.

43. **The BOJ is making progress in implementing priority recommendations from the 2017 safeguards assessment.** The central bank is in the process of strengthening the BOJ Act. The GOJ has also settled most of the outstanding tax refunds owed to the BOJ, and recapitalization of the central bank is included in the FY18/19 budget and medium term fiscal forecasts.

STATISTICS

44. **Jamaica continues to strengthen data provision.** Jamaica currently produces annual and quarterly GDP estimates by production and annual GDP estimates by expenditure. Quarterly

GDP statistics by expenditure are expected to be published by end-2018. Publication of general government statistics (supported by IMF TA) is expected by end-2018; authorities remain committed to SDDS subscription by the end of the SBA. The BOJ also reports monetary and financial statistics, which align with the 2000 *Monetary and Financial Statistics Manual*. Balance sheet data for Other Financial Corporations is needed, given the size and linkages across the financial system. To better assess external competitiveness, more data on private sector wages, unit labor costs, and bilateral FDI are essential.

STAFF APPRAISAL

45. **The economic reform program, that began in May 2013, has been a turning point for Jamaica**. With broad-based social and political support for reforms, the Jamaican government—over two administrations—has embarked on a path of fiscal discipline, monetary and financial sector reforms, and wide-ranging structural improvements to break a decades-long cycle of high debt and low growth.

46. **Considerable progress has been achieved on macroeconomic policies and outcomes.** Fiscal discipline—anchored by the Fiscal Responsibility Law—has been essential to reduce public debt and secure macroeconomic stability. Employment is at historic highs, inflation and the current account deficit are modest, international reserves are at a comfortable level, and external borrowing costs are at historical lows.

47. **Growth and social outcomes, however, have been discouraging.** Economic growth continues to disappoint, averaging only 0.9 percent since the reforms began. Entrenched structural obstacles, including crime, bureaucratic processes, insufficient labor force skills, and poor access to finance, continue to hinder productivity and growth. Moreover, the agricultural sector's vulnerability to weather shocks exacerbated rural poverty in 2015. Not addressing these bottlenecks could pose risks for continued public support for the government's policy program.

48. **Structurally reducing the wage bill is critical for the government to reprioritize spending toward growth-enhancing projects.** More expenditure is needed for infrastructure, citizen security, building agricultural resilience, health, education, and the social safety net. Creating the space for such spending will require going beyond temporary remedies like wage freezes and adjustments to non-wage benefits. It will require high-quality measures to (i) overhaul the compensation structure to retain skills and reward performance, (ii) streamline the vast and inequitable allowances structure, (iii) prioritize key government functions and shed those activities that it can no longer afford to undertake, and (iv) change the capital-labor mix through technology upgrades, including a better monitoring of (and accountability for) government spending. Inevitably, these reforms will also require a reduction in the size of the public workforce. Such a holistic approach will support a durable reduction in the wage bill, without frequent discordant wage negotiations, and enhance public service delivery with fewer but better paid public employees.

49. **Improving social outcomes and fostering inclusive growth will require addressing structural bottlenecks and creating an enabling environment for the private sector.** Countering

both weak social outcomes and escalating crime will take time but will be essential for sustained growth. In this regard, the evidence suggests that early childhood education, interventions to improve school attendance, and skills training for the youth would foster a virtuous cycle of lower crime, higher wages, stronger growth, and increased economic opportunity, particularly for the young. Policies to support productive private investments, including improving lending to smaller businesses and reducing lending-deposit interest spreads, will help fuel such an upswing. However, the government must resist the pressure to use scarce public resources to "pick winners" (including through providing tax incentives). Instead, the goal should be a uniform, broad-based, and low rate tax system, a level playing field for business, and harmonized rules for all.

50. **Formalizing the current inflation targeting regime will help entrench macroeconomic stability and promote growth.** With inflation likely to remain in the lower part of the central bank's target range, a looser monetary stance remains appropriate. Meanwhile, upcoming revisions to the BOJ Act—including a clear mandate for price stability, a reformed governance structure, and a strong central bank balance sheet—will help institutionalize the inflation targeting framework. Also, continued development of the FX market, liquidity management and forecasting toolkit, along with upgrading the BOJ's communication practices, will improve policy signaling and enhance credibility. Successful inflation targeting will require a clear commitment to a flexible and market-determined exchange rate with limited involvement of the central bank in the currency market. This implies that FX sales should be confined to disorderly market conditions, especially given the reductions in the surrender requirements, and buy auctions should aim to build reserves in a non-disruptive way.

51. **Financial sector stability is a prerequisite for strong and sustained growth.** Ongoing prudential and supervisory improvements will enhance systemic stability. While changes to investment limits for non-banks should be considered, they must be backed by a thorough assessment – including of appropriate regulations, risk management guidelines, and supervisory arrangements – to ensure that greater flexibility in non-banks' asset-liability management practices does not jeopardize financial stability. Introduction of a Special Resolution Regime for financial institutions will strengthen the system's safety net while putting clear requirements in place for the use of public resources.

52. **Continued reform implementation will not only safeguard hard-won gains but also deliver stronger growth and job creation**. After 5 years of reforms and tenacious fiscal consolidation, risks from reform fatigue and loss of social support are high, especially as growth remains feeble and crime escalates. Addressing some of the entrenched structural problems that hamper growth is not an overnight task; these difficult reforms require continued broad-based support and policymakers' commitment to persevere with the implementation. Based on the program performance and authorities' policy commitments, staff supports the authorities' request to complete the 3rd review under the SBA and the proposed modifications of performance criteria.

53. **The next Article IV consultation is expected to be held on a 24-month consultation cycle, in accordance with the Decision on Article IV Consultation Cycles (Decision No. 14747-(10/96)).**

Box 1. Social Outcomes, Violence, and Crime

Violent crime is high in Jamaica and disproportionately affects the youth. Jamaica was ranked 4th in the world in homicide rates in 2015 (43 per every 100,000 people). At the same time, 12-15 percent of the surveyed Jamaican population have either been threatened of assault or assaulted; for the youth, the range is 17-22 percent. The youth are also perpetrators of crime: according to the 2012 UN Caribbean Human Development Report, 80 percent of prosecuted crimes in the Caribbean were committed by people aged 17 to 29 years.

Violence can have roots in childhood. According to a PAHO study on the Caribbean, factors linked to violent youth behavior include (i) skipping school, (ii) violence among parents, and (iii) experiencing violence oneself. All these factors are present in Jamaica:

- ***Absenteeism***. The extra costs of sending a child to school (including books, extra lessons, transportation, lunch, uniforms) can be equivalent to as much as 40 percent of the per capita consumption of a household. Transportation costs alone can be over 12 percent of per capita consumption. As a result, among children in the bottom quintiles, only three-quarters attend at least 19 days of school per month on average, versus 94 percent of children at the top quintile.
- ***Violent behavior remains accepted***. According to a 2008 Reproductive Health Survey for Jamaica, 35 percent of women had been victims of physical or intimate violence. With regards to physical discipline towards children, nearly 95 percent of respondents say that they have experienced it while 85 percent deem it necessary.

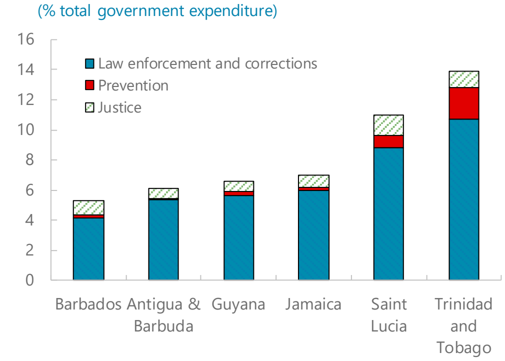
The vicious cycle of violence, crime, and low growth. Absenteeism fuels a lack of skills, which combined with poverty and low growth have reduced economic opportunities for the young, and increased their vulnerability to victimization and gang membership. These trends, in turn, further hurt growth by discouraging investment due to lower productivity, higher security costs, and reduced competitiveness. Crime also diverts government spending from growth-enhancing investment in health, education, and productive infrastructure which further exacerbates poverty. Empirical estimates suggest that if Jamaica were to reduce its homicide rates to the world average, GDP growth could be higher by around 0.4 percentage points per year (Demirci and Wong (forthcoming Working Paper)).

Policies. Tackling crime in Jamaica will require a combination of (i) policies to spur growth and promote economic opportunities, (ii) improve crime prevention, and (iii) strengthen deterrence, enforcement, and prosecution.

- Given the country's fiscal constraints, interventions should be targeted and evidence-based. In this regard, investment in data collection and monitoring are crucial.
- In addition, security budgets should go beyond law enforcement, deterrence, and corrections, and also include skills development, vocational and social programs for the youth, and reversing urban blight.

Strengthening the credibility and efficiency of policing and the criminal justice system will enable swift judgments. Basic skills training to offenders will also help their re-integration in the productive sector.

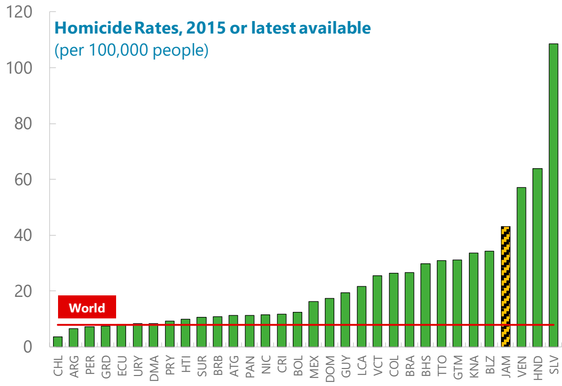
Government Expenditures on Security
(% total government expenditure)



Source: 2012 Caribbean Human Development Report

Figure 3. Social Outcomes, Violence, and Crime

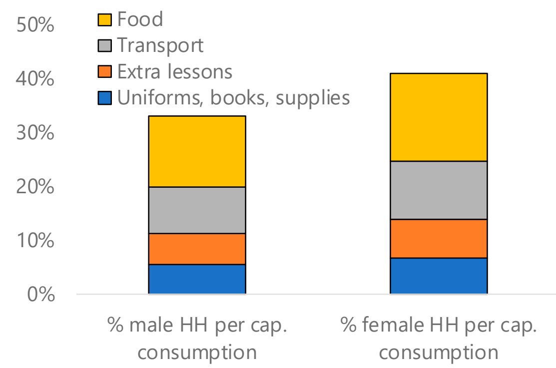
Jamaica has one of the highest homicide rates in the world



Source: UNODC and IMF Staff Calculations.

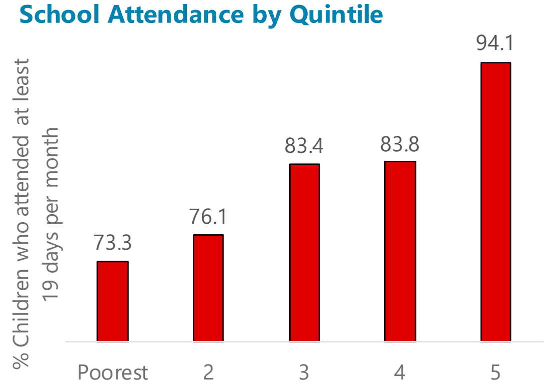
Schooling costs can impose a significant burden on household resources…

Costs of Sending Child to School



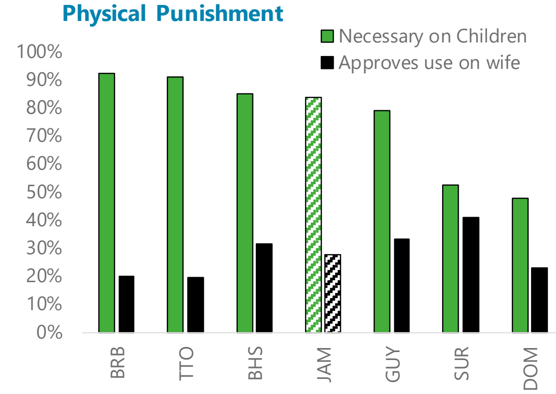
… potentially fostering absenteeism.

School Attendance by Quintile



At the same time, physical violence in households remains largely accepted…

Physical Punishment



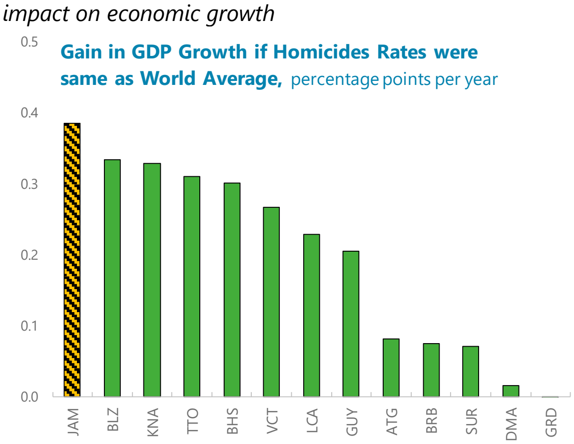
Source: LAPOP and IMF Staff calculations

… all of which can have effects towards the youth's violent behavior…

Factors Associated with Violence Toward Others, (odd ratios, aged 10-12)

Source: "A portrait of adolescent health in the Caribbean", PAHO, 2000

… potentially fostering crime, which has a significant impact on economic growth



Source: IMF Staff Calculations

Box 2. The Trailblazers: Female Labor Force Participation (LFP) in Jamaica

Jamaica has one of the smallest gender LFP gaps in the world. Female LFP in Jamaica, at an estimated 67 percent, is 15 ppts higher than the Latin American average of 52 percent and only 4 ppts lower than male LFP in Jamaica. Male LFP in Jamaica, at only 71 percent, is 10 percent lower than in Latin America.

- A key driver of LFP is usually educational attainment as this proxies for higher wages. In this regard, female enrollment rates in tertiary schooling are nearly 2½ times those of men in Jamaica. According to the Jamaica Labor Force Survey, 31 percent of women report having received training from either the employer or Heart/NTA versus only 23 percent of men. Indeed, only 27 percent of women in the Jamaica Survey of Living conditions report having no training, versus 41 percent of men.
- Another driver is the large services sector, which accounts for over 70 percent of GDP in Jamaica. This sector has historically favored women due to a mixture of culture, traditional roles, and comparative advantage (occupations more reliant on "brain/soft skills" rather than "brawn").
- Fertility also plays a significant role in women's decision to work. Intuitively, if women spend more time in childcare activities, they are less likely to participate in the labor market. Jamaica, at 2 children per woman, is at the lower end of fertility rates for the Latin American and Caribbean region.

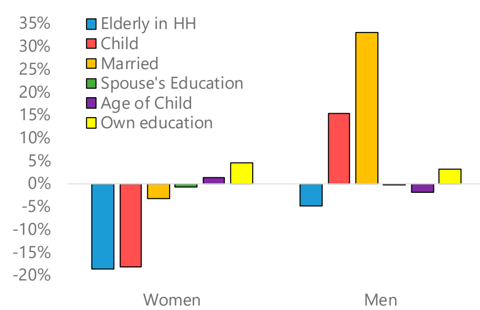
Empirical analysis. To better understand LFP drivers for both men and women in Jamaica specifically, we regress the following equation using data from the Jamaica Labor Force Survey (2004-2014):

$$LFP_i = \alpha + \beta_1 OwnEducation_i + \beta_2 Child\ in\ HH_i + \beta_3 AgeofChild_i + \beta_4 Married_i + \beta_5 Elderly\ in\ HH_i + \beta_6 SpouseEducation_i + \beta_7 Age_i + \beta_8 Age_i^2 + \epsilon_i,$$

where $OwnEducation_i$ measures the years of education of individual i, $Child\ in\ HH_i$ is the presence of a child in the household while $AgeofChild_i$ denotes his/her age. $Married_i$ is a dummy that takes value 1 if the individual is married and $Elderly\ in\ HH_i$ is a dummy for the presence of an elderly person in the household. $SpouseEducation_i$ measures the spouse's years of education (if present), while Age_i and Age_i^2 denotes the individual's age and squared, to capture the hump-shaped age profile of labor force participation.

Family care duties pose significant costs on women. The regression above suggests that the presence of a child imposes a significant penalty on female LFP but supports male LFP. Intuitively, women adjust on home time to take care of the child while men adjust on market time to provide monetarily. As the child grows, however, both effects weaken. Marriage hardly imposes a penalty on female LFP, contrary to the evidence in other countries. This suggests that the woman is not a "secondary" earner in a two-person household in Jamaica; she instead continues working after marriage. The positive marriage effect on male LFP (also extensively documented) is confirmed in Jamaica. As expected, a higher educational attainment is associated with higher participation rates for both men and women.

Jamaica: Drivers of LFP, 2004-2014



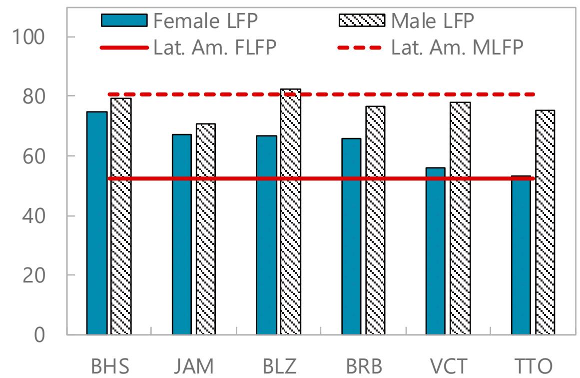
Source: Jamaica Labor Force Survey and IMF Staff calculations

Better data is essential to inform gender policies. The lack of reliable individual-level income and time-use data hinders the understanding of the drivers behind women's choice to work. A first step to a better understanding could be the inclusion of an income and/or a time-use module to the regularly conducted labor force surveys. From cross-country experiences, policies to support broad access to early childhood education has been shown to both provide children with a head start and can help safeguard women's market time. For younger children, availability and accessibility of childcare and paid parental leave have been shown to support uninterrupted careers for women and enhance men's role in childrearing (IMF/17/34).

Figure 4. The Trailblazers: Female Labor Force Participation in Jamaica

Jamaica has one of the smallest LFP gaps in the world…

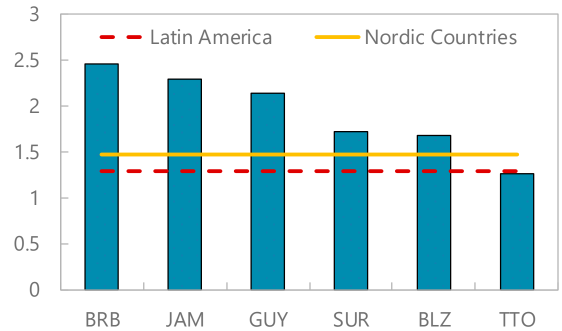
Labor Force Participation (LFP)



Source: WDI and IMF Staff calculations

… supported by high educational attainment…

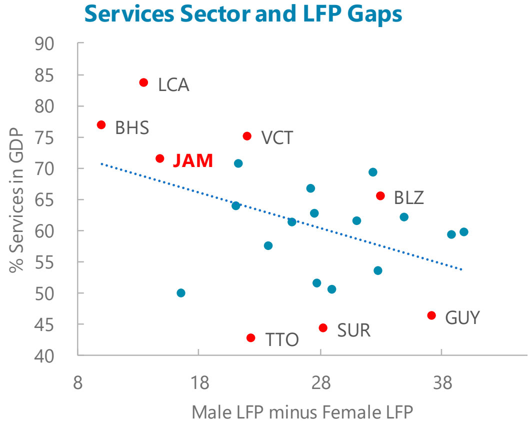
Enrollment in Tertiary Education,
Ratio of Female to Male



Source: WDI and IMF Staff calculations

… a large services sector….

Services Sector and LFP Gaps



… and relatively low fertility rates.

Fertility Rates and LFP Gaps

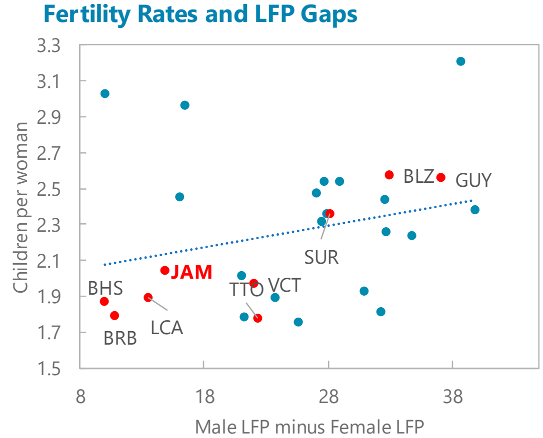
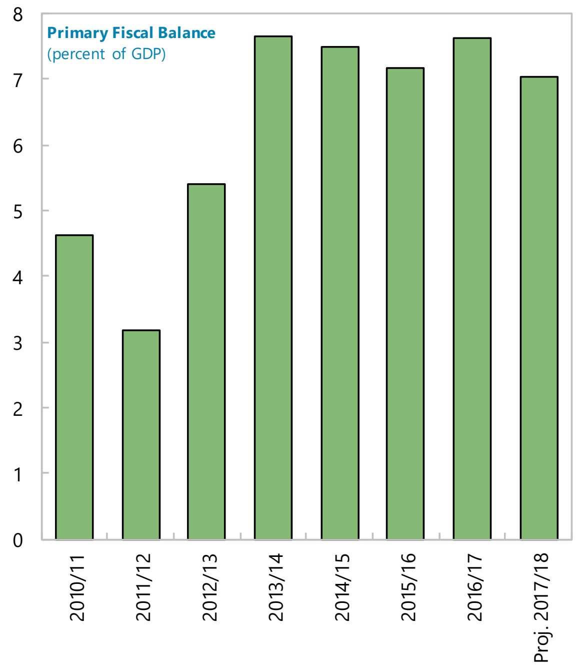
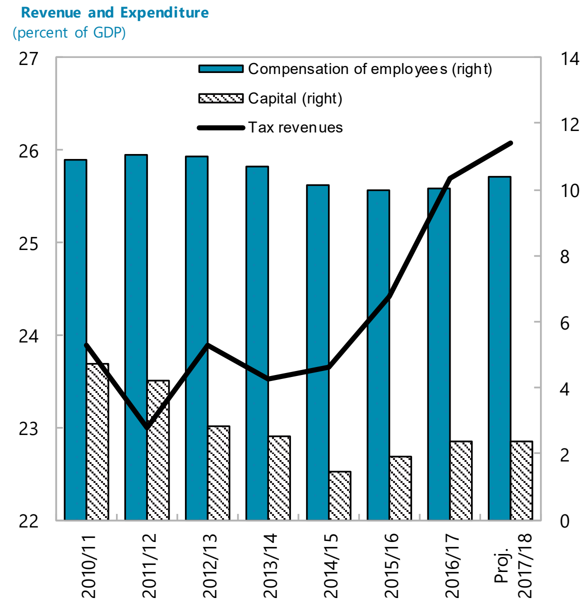


Figure 5. Jamaica: Fiscal Developments

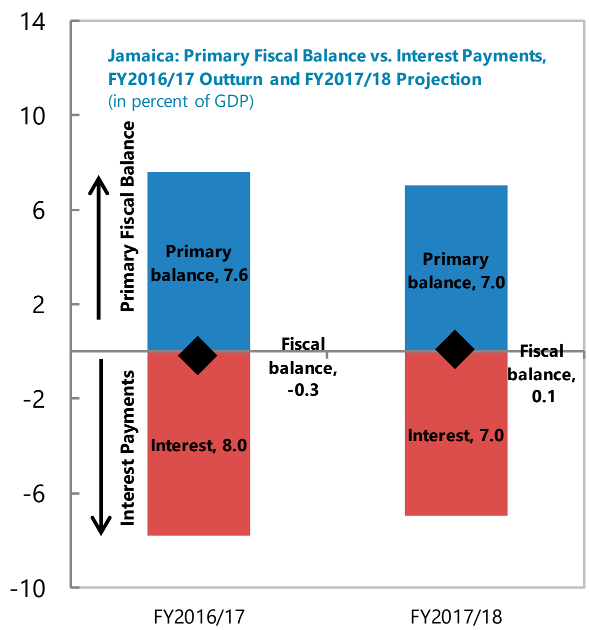
The primary fiscal balance is expected to be 7 percent of GDP in FY17/18…



… as tax revenues continue their strong performance



The ambitious primary balance continues to cover interest payments, with a nearly equilibrated fiscal balance.



Gross financing needs remained moderate in FY17/18

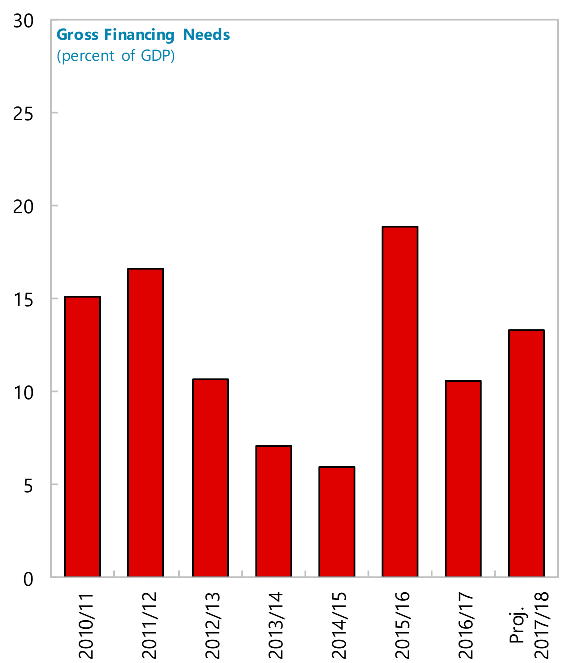
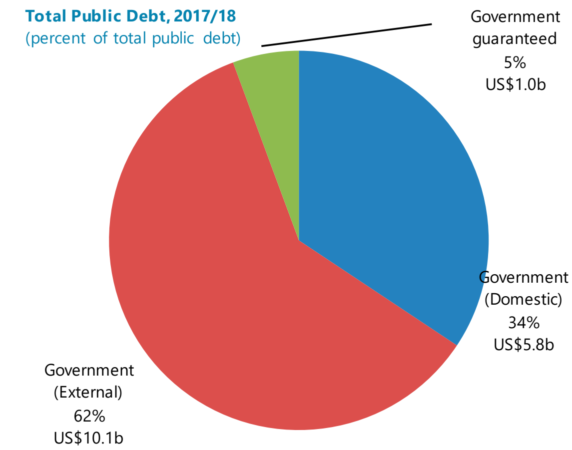
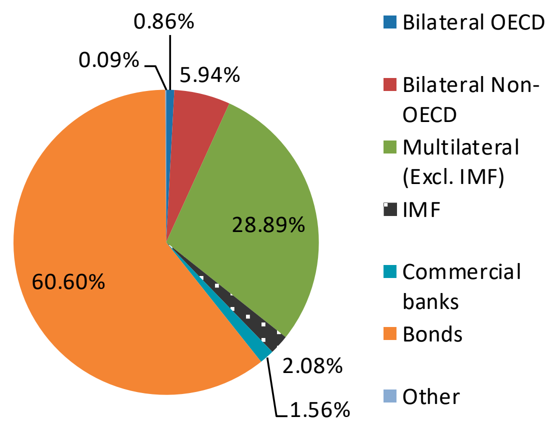


Figure 6. Jamaica: Public Debt

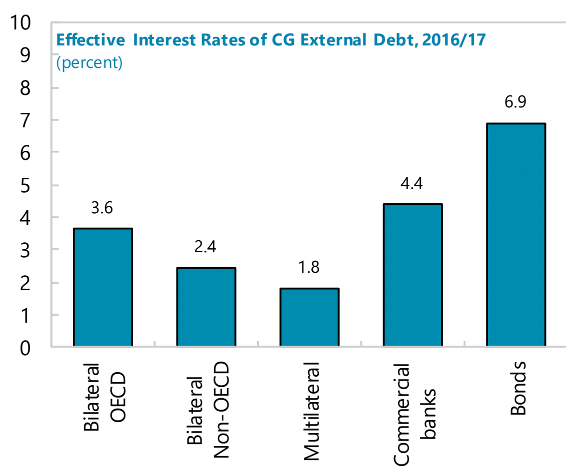
Nearly two thirds of public debt is external and consists of a wide range of instruments.



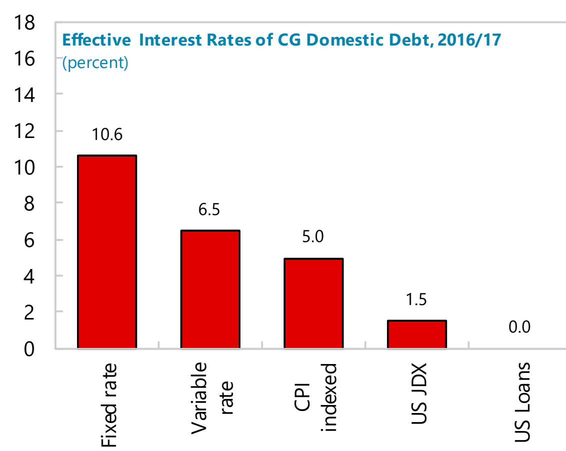
Bonds constitute a significant share of external debt...



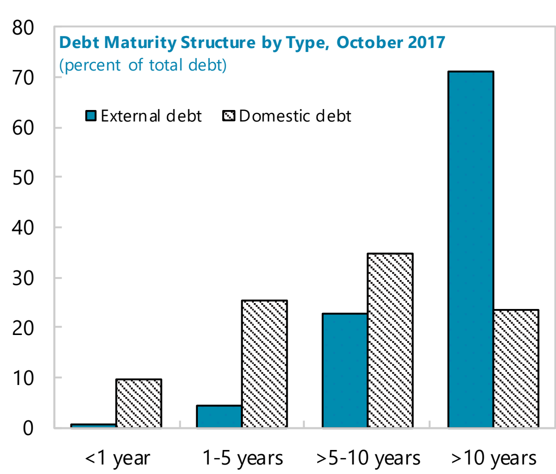
... and carry the highest interest rates.



Domestic nominal interest rates remain low.



External debt carries very long maturities



Savings on interest payments will free-up space for public capital expenditure, as the debt-to-GDP ratio falls.

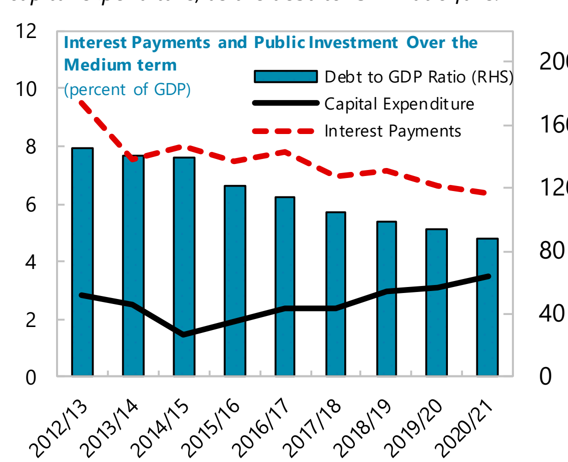


Table 1. Jamaica: Selected Economic Indicators 1/

Population (2013): 2.8 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar

Per capita GDP (2014): US$4955
Literacy rate (2015)/Poverty rate (2015): 87%/21.2%
Unemployment rate (Oct. 2017): 10.4%

				Prog.	Est.	Projections				
	2014/15	2015/16	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(Annual percent change, unless otherwise indicated)									
GDP and prices										
Real GDP	0.2	1.0	1.3	1.6	0.9	1.7	1.9	2.1	2.2	2.3
Nominal GDP	7.3	7.6	5.7	6.0	5.8	6.8	6.9	7.2	7.3	7.4
Consumer price index (end of period)	4.0	3.0	4.1	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (average)	7.2	3.4	2.4	4.3	4.7	5.0	5.0	5.0	5.0	5.0
Exchange rate (end of period, J$/US$)	115.0	122.0	128.7	...	...	...	...	...	...	...
Exchange rate (average, J$/US$)	113.1	118.8	127.3	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	5.0	6.1	5.4	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-0.2	-2.2	-2.6	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	7.0	5.8	6.3	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	7.8	6.3	6.1	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	14.2	13.3	12.7	...	...	...	...	...	...	...
	(In percent of GDP)									
Government operations										
Budgetary revenue	26.3	27.0	28.0	28.8	29.3	29.3	29.2	28.9	28.8	28.6
Of which: Tax revenue 4/	23.7	24.5	25.8	25.6	26.0	25.7	25.7	25.6	25.6	25.6
Budgetary expenditure	26.8	27.3	28.4	29.1	29.2	29.5	28.8	28.8	28.3	27.8
Primary expenditure	18.8	19.9	20.4	21.8	22.2	22.3	22.2	22.4	22.3	22.1
Of which: Wages and salaries	9.7	9.6	9.4	9.6	9.6	9.2	9.1	9.0	8.8	8.8
Interest payments	8.0	7.4	8.0	7.3	7.0	7.1	6.6	6.3	6.0	5.7
Budget balance	-0.5	-0.3	-0.3	-0.3	0.1	-0.2	0.4	0.2	0.5	0.8
Of which: Central government primary balance	7.5	7.2	7.6	7.0	7.0	7.0	7.0	6.5	6.5	6.5
Public entities balance 8/	0.9	1.8	2.0	0.7	0.6	0.0	0.0	0.0	0.0	0.0
Public sector balance	0.4	1.6	1.7	0.4	0.7	-0.2	0.4	0.2	0.5	0.8
Public debt (FRL definition) 4/ 6/	...	...	113.9	107.1	104.1	98.3	93.7	87.9	83.2	78.0
Public debt (EFF definition) 5/ 7/	139.7	121.3	122.1	113.9	111.9	104.8	98.6	92.3	86.6	80.5
External sector										
Current account balance	-7.0	-2.0	-3.0	-2.5	-2.8	-3.0	-2.9	-2.8	-2.7	-2.6
Of which: Exports of goods, f.o.b.	10.2	8.3	8.8	8.8	9.3	10.4	10.3	10.1	9.9	9.9
Exports of services	15.5	14.8	15.8	14.8	14.6	14.5	14.2	14.1	14.0	13.8
Imports of goods, f.o.b.	36.4	30.1	31.7	31.9	32.6	33.2	32.9	32.6	32.2	32.0
Imports of services	19.8	19.5	21.4	21.5	21.2	21.1	21.3	21.3	21.3	21.2
Net international reserves (US$ millions)	2,294	2,416	2,762	3,282	3,066	3,219	3,833	4,238	4,614	5,273
of which: non-borrowed	1,335	1,470	1,936	2,470	2,253	2,428	3,062	3,469	3,867	4,526
	(Changes in percent of beginning of period broad money)									
Money and credit										
Net foreign assets	27.9	10.1	7.1	15.0	6.5	4.7	12.9	9.1	8.6	13.3
Net domestic assets	-22.3	8.6	15.4	-9.0	-0.7	2.1	-5.9	-2.0	-1.3	-5.9
Of which: Credit to the private sector	3.1	8.2	22.4	7.1	6.7	9.5	10.1	10.8	11.5	12.3
Credit to the central government	-15.2	5.5	0.4	1.3	1.8	5.2	0.5	-0.3	-1.7	0.0
Broad money	5.7	18.7	22.5	6.0	5.8	6.8	6.9	7.2	7.3	7.4
Memorandum item:										
Nominal GDP (J$ billions)	1,568	1,687	1,784	1,889	1,887	2,016	2,156	2,310	2,478	2,660

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.
8/ Projections for 18/19 reflect the special distribution from PCDF to Central Government, ahead of its reintegration by end 18/19.

Table 2. Jamaica: Summary of Central Government Operations

(In millions of Jamaican dollars)

				Prog.	Est.	Projections				
	2014/15	2015/16	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Budgetary revenue and grants	411,716	455,836	499,880	544,742	552,059	590,451	630,088	668,783	714,119	762,060
Tax	370,878	413,971	460,264	483,853	491,129	518,424	553,926	592,471	633,806	680,288
Of which:										
Income and profits	120,854	130,760	136,025	128,290	125,204	137,446	144,965	154,589	167,746	180,711
Of which: Other companies	35,903	42,282	51,791	55,428	59,638	63,716	68,139	73,013	80,661	87,466
PAYE	67,818	71,966	64,955	52,704	50,704	54,170	57,931	62,075	66,580	71,482
Production and consumption	120,421	133,557	147,937	162,277	172,442	182,999	195,889	209,509	222,801	239,024
Of which: GCT (Local)	63,995	72,745	78,175	84,420	90,086	96,245	102,927	111,391	119,476	128,272
International Trade	127,238	144,706	171,189	189,796	189,998	194,266	209,104	224,122	238,701	255,661
Of which: GCT (Imports)	58,471	65,806	73,735	82,565	79,608	80,799	87,272	94,449	102,317	110,949
Non-tax 1/	35,821	36,401	34,323	56,109	56,417	62,968	66,691	66,164	69,430	70,087
Grants	5,018	5,463	5,293	4,779	4,514	9,059	9,470	10,148	10,884	11,685
Budgetary expenditure	419,491	460,720	505,885	550,278	551,035	593,848	621,812	664,814	701,003	739,700
Primary expenditure	294,474	335,040	364,000	412,134	419,586	449,726	479,594	518,615	553,052	589,134
Compensation of employees	162,128	172,628	179,068	195,428	196,336	201,112	210,975	223,580	232,928	250,077
Wage and salaries 6/	152,563	162,026	168,466	181,670	181,310	185,186	196,203	207,926	218,060	234,115
Employer contributions	9,565	10,601	10,602	2,879	15,025	15,926	14,772	15,654	14,868	15,962
Programme expenditure	112,697	133,506	142,976	167,424	178,081	188,790	201,781	214,174	233,395	237,961
Capital expenditure	23,019	32,747	41,955	49,283	45,170	59,825	66,838	80,860	86,729	101,095
Interest	125,016	125,680	141,885	138,144	131,449	144,121	142,219	146,199	147,951	150,566
Domestic	75,756	71,391	64,700	64,252	58,424	63,470	62,427	62,160	64,370	67,732
External	49,260	54,288	77,184	73,892	73,025	80,651	79,792	84,039	83,582	82,834
Budget balance	-7,775	-4,884	-6,005	-5,536	1,024	-3,397	8,276	3,969	13,116	22,360
Of which: Primary budget balance	117,242	120,796	135,880	132,608	132,473	140,724	150,494	150,169	161,067	172,926
Public entities balance 7/	13,749	31,199	36,263	13,223	11,400	0	0	0	0	0
Public sector balance	5,975	26,315	30,259	7,687	12,424	-3,397	8,276	3,969	13,116	22,360
Principal repayments	85,283	312,923	211,227	244,794	243,998	182,313	131,918	177,655	156,117	135,835
Domestic	25,285	216,043	64,161	176,974	176,974	107,015	76,244	132,727	71,313	88,272
External	59,999	96,881	147,066	67,820	67,024	75,298	55,674	44,928	84,804	47,563
Gross financing needs	93,058	317,807	217,232	250,330	242,974	185,710	123,643	173,686	143,001	113,475
Gross financing sources	93,058	317,807	217,232	250,330	242,974	185,710	123,643	173,686	143,001	113,475
Domestic	42,306	21,011	82,048	104,346	126,733	120,529	77,246	114,824	117,464	95,401
Of which : compensatory flows from PCDF	…	5,938	14,741	11,574	11,439	15,126	15,484	15,852	16,278	16,744
External	143,628	267,766	139,003	131,646	99,495	36,444	39,712	38,329	42,172	25,304
Of which: Official	66,743	30,231	35,660	41,710	28,416	32,525	23,667	17,796	14,057	10,845
Divestment + deposit drawdown	-92,877	29,030	-3,819	14,338	16,746	28,737	6,685	20,533	-16,636	-7,230
Memorandum items:										
Nominal GDP (billion J$)	1,568	1,687	1,784	1,889	1,887	2,016	2,156	2,310	2,478	2,660
Public sector debt (FRL definition, billion J$) 2/ 4/	…	…	2,032	2,024	1,964	1,981	2,020	2,030	2,061	2,076
Of which: Direct debt	…	…	2,033	1,998	1,969	1,977	1,997	2,016	2,048	2,062
Public sector debt (EFF definition, billion J$) 3/ 5/	2,190	2,048	2,177	2,142	2,111	2,112	2,125	2,133	2,146	2,140

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.
7/ Projections for 18/19 reflect the special distribution from PCDF to Central Government, ahead of its reintegration by end 18/19.

Table 3. Jamaica: Summary of Central Government Operations
(In percent of GDP)

	2014/15	2015/16	2016/17	Prog. 2017/18	Est. 2017/18	Projections 2018/19	2019/20	2020/21	2021/22	2022/23
Budgetary revenue and grants	26.3	27.0	28.0	28.8	29.3	29.3	29.2	28.9	28.8	28.6
Tax	23.7	24.5	25.8	25.6	26.0	25.7	25.7	25.6	25.6	25.6
Of which:										
Income and profits	7.7	7.7	7.6	6.8	6.6	6.8	6.7	6.7	6.8	6.8
Of which: Other companies	2.3	2.5	2.9	2.9	3.2	3.2	3.2	3.2	3.3	3.3
PAYE	4.3	4.3	3.6	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Production and consumption	7.7	7.9	8.3	8.6	9.1	9.1	9.1	9.1	9.0	9.0
Of which: GCT (Local)	4.1	4.3	4.4	4.5	4.8	4.8	4.8	4.8	4.8	4.8
International Trade	8.1	8.6	9.6	10.0	10.1	9.6	9.7	9.7	9.6	9.6
Of which: GCT (Imports)	3.7	3.9	4.1	4.4	4.2	4.0	4.0	4.1	4.1	4.2
Non-tax 1/	2.3	2.2	1.9	3.0	3.0	3.1	3.1	2.9	2.8	2.6
Grants	0.3	0.3	0.3	0.3	0.2	0.4	0.4	0.4	0.4	0.4
Budgetary expenditure	26.8	27.3	28.4	29.1	29.2	29.5	28.8	28.8	28.3	27.8
Primary expenditure	18.8	19.9	20.4	21.8	22.2	22.3	22.2	22.4	22.3	22.1
Compensation of employees	10.3	10.2	10.0	10.3	10.4	10.0	9.8	9.7	9.4	9.4
Wage and salaries 6/	9.7	9.6	9.4	9.6	9.6	9.2	9.1	9.0	8.8	8.8
Employer contribution	0.6	0.6	0.6	0.7	0.8	0.8	0.7	0.7	0.6	0.6
Programme expenditure	7.2	7.9	8.0	8.9	9.4	9.4	9.4	9.3	9.4	8.9
Capital expenditure	1.5	1.9	2.4	2.6	2.4	3.0	3.1	3.5	3.5	3.8
Interest	8.0	7.4	8.0	7.3	7.0	7.1	6.6	6.3	6.0	5.7
Domestic	4.8	4.2	3.6	3.4	3.1	3.1	2.9	2.7	2.6	2.5
External	3.1	3.2	4.3	3.9	3.9	4.0	3.7	3.6	3.4	3.1
Budget balance	-0.5	-0.3	-0.3	-0.3	0.1	-0.2	0.4	0.2	0.5	0.8
Of which: Primary budget balance	7.5	7.2	7.6	7.0	7.0	7.0	7.0	6.5	6.5	6.5
Public entities balance 7/	0.9	1.8	2.0	0.7	0.6	0.0	0.0	0.0	0.0	0.0
Public sector balance	0.4	1.6	1.7	0.4	0.7	-0.2	0.4	0.2	0.5	0.8
Principal repayments	5.4	18.5	11.8	13.0	12.9	9.0	6.1	7.7	6.3	5.1
Domestic	1.6	12.8	3.6	9.4	9.4	5.3	3.5	5.7	2.9	3.3
External	3.8	5.7	8.2	3.6	3.6	3.7	2.6	1.9	3.4	1.8
Gross financing needs	5.9	18.8	12.2	13.3	12.9	9.2	5.7	7.5	5.8	4.3
Gross financing sources	5.9	18.8	12.2	13.3	12.9	9.2	5.7	7.5	5.8	4.3
Domestic	2.7	1.2	4.6	5.5	6.7	6.0	3.6	5.0	4.7	3.6
Of which : compensatory flows from PCDF	…	0.4	0.8	0.6	0.6	0.8	0.7	0.7	0.7	0.6
External	9.2	15.9	7.8	7.0	5.3	1.8	1.8	1.7	1.7	1.0
Of which: Official	4.3	1.8	2.0	2.2	1.5	1.6	1.1	0.8	0.6	0.4
Divestment + deposit drawdown	-5.9	1.7	-0.2	0.8	0.9	1.4	0.3	0.9	-0.7	-0.3
Memorandum items:										
Nominal GDP (billion J$)	1,568	1,687	1,784	1,889	1,887	2,016	2,156	2,310	2,478	2,660
Public sector debt (FRL definition,billion J$) 2/ 4/	…	…	2,032	2,024	1,964	1,981	2,020	2,030	2,061	2,076
Public sector debt (EFF definition,billion J$) 3/	2,190	2,048	2,177	2,142	2,111	2,112	2,125	2,133	2,146	2,140
Public sector debt (FRL definition) 2/ 4/	…	…	113.9	107.1	104.1	98.3	93.7	87.9	83.2	78.0
Of which: Direct debt	…	…	114.0	105.8	104.4	98.1	92.6	87.3	82.6	77.5
Public sector debt (EFF definition) 3/ 5/	139.7	121.3	122.1	113.4	111.9	104.8	98.6	92.3	86.6	80.5

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.

7/ Projections for 18/19 reflect the special distribution from PCDF to Central Government, ahead of its reintegration by end 18/19.

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars				In percent of GDP			
	2014/15	2015/16	2016/17	2017/18 latest outturn	2014/15	2015/16	2016/17	2017/18 latest outturn
Operating balance selected public entities 1/	**36.5**	**55.4**	**79.3**	**54.4**	**2.3**	**3.3**	**4.4**	**2.9**
Of which:								
Airports Authority of Jamaica	1.5	3.6	4.0	3.8	0.1	0.2	0.2	0.2
Caymanas Track Limited	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-2.8	-0.8	-0.8	2.4	-0.2	0.0	0.0	0.1
Development Bank of Jamaica	0.5	0.4	0.8	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	2.0	2.2	2.2	1.1	0.1	0.1	0.1	0.1
Housing Agency of Jamaica	-0.4	0.7	0.4	0.4	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	-2.4	-1.4	-2.4	-2.4	-0.2	-0.1	-0.1	-0.1
National Housing Trust	18.9	18.7	23.4	17.0	1.2	1.1	1.3	0.9
National Insurance Fund	1.7	2.3	3.6	1.9	0.1	0.1	0.2	0.1
NROCC	-5.7	-3.9	-4.2	-4.1	-0.4	-0.2	-0.2	-0.2
National Water Commission	3.5	5.3	4.9	3.8	0.2	0.3	0.3	0.2
Petrojam Ethanol	-0.5	-0.4	0.0	0.1	0.0	0.0	0.0	0.0
Petrojam	12.9	24.4	41.3	26.7	0.8	1.4	2.3	1.4
Petroleum Corporation of Jamaica	1.4	-0.7	0.6	0.2	0.1	0.0	0.0	0.0
Port Authority of Jamaica	5.5	4.9	5.0	3.6	0.4	0.3	0.3	0.2
Urban Development Corporation	0.3	-0.1	0.4	-0.2	0.0	0.0	0.0	0.0
Net current transfers from the central government	**-22.6**	**-29.2**	**-40.3**	**-49.4**	**-1.4**	**-1.7**	**-2.3**	**-2.6**
Of which:								
Airports Authority of Jamaica	-0.2	-0.7	-0.9	-0.7	0.0	0.0	-0.1	0.0
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development Bank of Jamaica	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	-0.9	-1.3	-1.0	-0.8	-0.1	-0.1	-0.1	0.0
Housing Agency of Jamaica	0.0	0.0	0.0	0.0	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
Jamaica Urban Transit Company	8.0	3.0	3.3	-2.2	0.5	0.2	0.2	-0.1
National Housing Trust	-11.4	-11.4	-12.4	-8.6	-0.7	-0.7	-0.7	-0.5
National Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NROCC	5.2	4.3	4.6	-4.6	0.3	0.3	0.3	-0.2
National Water Commission	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam Ethanol	0.0	0.0	0.0	-32.3	0.0	0.0	0.0	-1.7
Petrojam	-23.2	-24.0	-33.9	0.0	-1.5	-1.4	-1.9	0.0
Petroleum Corporation of Jamaica	-0.7	0.7	-0.5	-0.1	0.0	0.0	0.0	0.0
Port Authority of Jamaica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Urban Development Corporation	0.5	0.2	0.6	-0.2	0.0	0.0	0.0	0.0
Overall balance selected public entities	**-4.7**	**16.0**	**11.8**	**0.2**	**-0.3**	**1.0**	**0.7**	**0.0**
Of which:								
Airports Authority of Jamaica	0.7	2.3	2.4	2.5	0.0	0.1	0.1	0.1
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-4.0	-0.9	-2.5	1.1	-0.3	-0.1	-0.1	0.1
Development Bank of Jamaica	0.5	0.3	0.7	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	1.0	0.5	0.8	0.0	0.1	0.0	0.0	0.0
Housing Agency of Jamaica	-0.7	0.1	0.6	0.5	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.1	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	0.3	0.1	0.3	-0.2	0.0	0.0	0.0	0.0
National Housing Trust	0.1	4.0	1.4	1.6	0.0	0.2	0.1	0.1
National Insurance Fund	1.7	2.3	3.6	1.9	0.1	0.1	0.2	0.1
NROCC	-1.2	0.1	0.3	0.3	-0.1	0.0	0.0	0.0
National Water Commission	-2.8	-0.7	0.4	0.9	-0.2	0.0	0.0	0.0
Petrojam Ethanol	0.0	-0.2	0.0	-7.8	0.0	0.0	0.0	-0.4
Petrojam	-4.8	5.0	-0.1	-0.1	-0.3	0.3	0.0	0.0
Petroleum Corporation of Jamaica	0.6	0.0	0.1	-0.1	0.0	0.0	0.0	0.0
Port Authority of Jamaica	4.1	4.1	3.3	-0.8	0.3	0.2	0.2	0.0
Urban Development Corporation	-0.3	-1.1	0.6	-0.1	0.0	-0.1	0.0	0.0
Overall balance other public entities	**18.5**	**15.2**	**24.5**	**16.0**	**1.2**	**0.9**	**1.4**	**0.9**
Overall balance public entities	**13.7**	**31.2**	**36.3**	**16.3**	**0.9**	**1.8**	**2.0**	**0.9**

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)

				Prog.	Est.	Projections				
	2014/15	2015/16	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Current account	-967	-283	-414	-361	-404	-459	-461	-467	-469	-474
Trade balance	-3,641	-3,091	-3,203	-3,340	-3,406	-3,523	-3,658	-3,796	-3,931	-4,061
Exports (f.o.b.)	1,412	1,179	1,234	1,282	1,368	1,608	1,656	1,700	1,750	1,818
Imports (f.o.b.)	5,053	4,270	4,436	4,622	4,773	5,131	5,313	5,496	5,681	5,879
Fuel (cif)	1,764	1,029	1,110	1,120	1,290	1,516	1,484	1,524	1,538	1,581
Exceptional imports (including FDI-related)	294	443	471	515	521	564	766	757	838	841
Other	2,995	2,798	2,855	2,988	2,962	3,051	3,063	3,215	3,305	3,457
Services (net)	790	970	1,018	1,122	1,155	1,212	1,286	1,370	1,449	1,527
Transportation	-635	-562	-580	-617	-619	-661	-684	-701	-724	-747
Travel	2,105	2,203	2,305	2,399	2,448	2,555	2,669	2,789	2,914	3,036
Of which: Tourism receipts	2,314	2,444	2,566	2,668	2,716	2,833	2,957	3,087	3,223	3,357
Other services	-680	-671	-708	-660	-674	-682	-699	-719	-740	-761
Income (net) 4/	-345	-490	-626	-623	-637	-740	-742	-748	-750	-754
Current transfers (net)	2,229	2,328	2,396	2,481	2,484	2,591	2,652	2,708	2,763	2,815
Government (net)	150	182	174	184	178	181	185	189	193	197
Private (net)	2,079	2,146	2,222	2,297	2,306	2,410	2,467	2,519	2,570	2,618
Capital and financial account	1,957	296	768	915	708	612	1,075	872	845	1,133
Capital account (net)	-19	1,421	-8	-28	-28	-28	-28	-28	-28	-28
Financial account (net) 1/	1,976	-1,125	776	943	736	640	1,103	899	873	1,161
Direct investment (net)	590	942	584	621	690	705	780	840	930	974
Central government (net) 5/	600	1,599	-39	490	152	-297	-119	-48	-303	-154
Of which: IFIs	181	231	214	215	142	258	35	30	30	30
Other official (net) 2/ 5/	78	-2,835	44	-52	-46	-44	-44	0	3	3
Of which: PetroCaribe	161	-2,932	12	0	0	0	0	0	0	0
Portfolio investment (net)	709	-831	187	-115	-60	278	486	108	244	338
Overall balance	990	13	354	555	304	153	614	405	376	659
Financing	-990	-13	-354	-555	-304	-153	-614	-405	-376	-659
Change in gross reserves (- increase)	-641	-205	-438	-539	-288	-88	-512	-278	-239	-519
Change in arrears	0	0	0	0	0	0	0	0	0	0
Financing gap	-349	191	85	-16	-16	-65	-102	-127	-137	-140
IMF 3/	-163	74	118	-16	-16	-65	-102	-127	-137	-140
Disbursements	259	119	118	0	0	0	0	0	0	0
Repayments	-422	-45	0	-16	-16	-65	-102	-127	-137	-140
Memorandum items:										
Gross international reserves	2,690	2,894	3,333	3,863	3,621	3,709	4,221	4,499	4,738	5,256
(in weeks of prospective imports of GNFS)	19.2	23.5	26.0	29.2	26.7	25.7	28.2	29.1	29.7	31.9
Net international reserves	2,294	2,416	2,762	3,282	3,066	3,219	3,833	4,238	4,614	5,273
of which: non-borrowed	1,335	1,470	1,936	2,470	2,253	2,428	3,062	3,469	3,867	4,526
Current account (percent of GDP)	-7.0	-2.0	-3.0	-2.5	-2.8	-3.0	-2.9	-2.8	-2.7	-2.6
Exports of goods (percent change)	-5.6	-16.5	4.6	4.3	10.9	17.6	2.9	2.7	3.0	3.9
Imports of goods (percent change)	-4.2	-15.5	3.9	4.8	7.6	7.5	3.6	3.4	3.4	3.5
Oil prices (composite, fiscal year basis)	83.3	46.1	47.9	49.5	55.6	61.4	57.6	55.2	53.9	53.6
Tourism receipts (percent change)	10.4	5.6	5.0	4.0	5.8	4.3	4.4	4.4	4.4	4.2
GDP (US$ millions)	13,868	14,207	14,012	…	…	…	…	…	…	…
Jamaican dollar/USD, period average	113	119	127	…	…	…	…	…	…	…

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/

				Prog.	Est.	Projections				
	2014/15	2015/16	2016/17	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	(In billions of Jamaican dollars)									
End-of-period stocks 1/										
Net foreign assets	**263.9**	**294.8**	**356.3**	**433.2**	**395.4**	**425.8**	**518.0**	**587.5**	**657.4**	**773.4**
Net domestic assets	**-162.8**	**-174.8**	**-216.8**	**-297.1**	**-242.0**	**-258.7**	**-339.2**	**-396.0**	**-452.0**	**-552.9**
Net claims on public sector	112.0	133.7	28.8	101.2	93.5	91.5	104.8	117.1	101.4	99.4
Net claims on central government	17.2	39.8	11.1	50.3	27.9	56.6	56.6	77.2	60.5	60.5
Net claims on rest of public sector	102.3	83.8	24.2	57.0	70.8	44.0	56.9	52.2	56.2	54.8
Operating losses of the BOJ	-7.6	10.1	-6.5	-6.1	-5.1	-9.1	-8.8	-12.3	-15.4	-15.9
Net credit to commercial banks	-23.9	-28.5	-44.1	-36.0	-42.8	-46.2	-49.6	-53.1	-57.2	-61.6
Of which : foreign prudential reserve	-23.9	-28.5	-44.1	-36.0	-42.8	-46.2	-49.6	-53.1	-57.2	-61.6
Net credit to other financial institutions	-1.7	-2.4	-1.9	-2.5	-2.1	-2.1	-2.2	-2.3	-2.4	-2.5
Open market operations	-38.9	-57.8	-51.8	-198.4	-142.0	-144.7	-226.3	-279.4	-300.3	-376.0
Other items net (incl. valuation adj.)	-210.3	-219.9	-147.9	-161.4	-148.6	-157.3	-165.9	-178.3	-193.5	-212.2
Of which: Valuation adjustment	-69.5	-74.9	-126.6	-105.8	-127.3	-136.0	-144.6	-157.0	-172.2	-190.9
Base money	**101.1**	**120.0**	**139.5**	**136.1**	**153.4**	**167.1**	**178.7**	**191.5**	**205.4**	**220.5**
Currency in circulation	58.7	70.4	76.6	64.1	63.1	65.5	68.1	70.9	73.9	77.2
Liabilities to commercial banks	42.4	49.7	62.9	72.0	90.3	101.6	110.7	120.6	131.5	143.4
Fiscal year flows 1/										
Net foreign assets	**121.0**	**30.9**	**61.5**	**82.4**	**39.1**	**30.5**	**92.1**	**69.6**	**69.9**	**116.0**
Net domestic assets	-114.4	-12.0	-42.1	-70.0	-25.1	-16.8	-80.5	-56.8	-56.0	-100.9
Net claims on public sector	-82.6	21.7	-104.8	-8.3	64.7	-2.0	13.2	12.3	-15.7	-2.0
Net claims on central government	-57.4	22.5	-28.6	14.3	16.7	28.7	0.0	20.5	-16.6	0.0
Net credit to commercial banks	-2.5	-4.6	-15.6	-8.6	1.3	-3.4	-3.5	-3.5	-4.1	-4.4
Net credit to other financial institutions	-0.1	-0.6	0.5	-0.1	-0.2	0.0	-0.1	-0.1	-0.1	-0.1
Open market operations	-8.3	-18.9	5.9	-41.5	-90.2	-2.7	-81.6	-53.1	-20.9	-75.7
Other items net (incl. valuation adj.)	-20.8	-9.6	72.0	-11.5	-0.7	-8.7	-8.6	-12.4	-15.2	-18.7
Base money	**6.7**	**18.9**	**19.4**	**12.4**	**14.0**	**13.7**	**11.6**	**12.8**	**13.9**	**15.1**
Currency in circulation	4.9	11.7	6.2	5.0	-13.5	2.4	2.6	2.8	3.0	3.2
Liabilities to commercial banks	1.7	7.2	13.2	7.4	27.4	11.3	9.0	10.0	10.9	11.9
	(Change in percent of beginning-of-period Base Money)									
Net foreign assets	**128.2**	**30.6**	**51.2**	**66.6**	**28.0**	**19.9**	**55.1**	**38.9**	**36.5**	**56.5**
Net domestic assets	**-121.1**	**-11.9**	**-35.0**	**-56.6**	**-18.0**	**-10.9**	**-48.2**	**-31.8**	**-29.2**	**-49.1**
Net claims on public sector	-87.4	21.5	-87.4	-6.7	46.4	-1.3	7.9	6.9	-8.2	-1.0
Net credit to commercial banks	-2.6	-4.5	-13.0	-6.9	0.9	-2.2	-2.1	-1.9	-2.1	-2.1
Net credit to other financial institutions	-0.1	-0.6	0.4	-0.1	-0.1	0.0	-0.1	0.0	-0.1	0.0
Open market operations	-8.8	-18.7	4.9	-33.5	-64.7	-1.7	-48.8	-29.7	-10.9	-36.8
Other items net (incl. valuation adj.)	-22.1	-9.5	60.0	-9.3	-0.5	-5.7	-5.1	-7.0	-7.9	-9.1
Base money	**7.0**	**18.7**	**16.2**	**10.0**	**10.0**	**8.9**	**6.9**	**7.2**	**7.3**	**7.4**
Currency in circulation	5.2	11.6	5.2	4.0	-9.7	1.6	1.5	1.6	1.6	1.6
Liabilities to commercial banks	1.8	7.2	11.0	6.0	19.7	7.4	5.4	5.6	5.7	5.8
Memorandum items:										
Change in net claims on the central government (percent of GDP)	-3.7	1.3	-1.6	0.8	0.9	1.4	0.0	0.9	-0.7	0.0

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Fiscal year runs from April 1 to March 31. The authorities also compile and diseminate monetary data on the basis of the 2000 MFS manual, which reflect different methodology and coverage.

Table 7. Jamaica: Summary Monetary Survey 1/

	2014/15	2015/16	2016/17	Prog. 2017/18	Est. 2017/18	Projections 2018/19	2019/20	2020/21	2021/22	2022/23
	(In billions of Jamaican dollars)									
End-of-period stocks 1/										
Net foreign assets	**308.6**	**353.5**	**391.0**	**486.1**	**432.9**	**465.2**	**559.2**	**630.4**	**702.2**	**821.6**
Net domestic assets	**135.7**	**173.8**	**254.8**	**104.2**	**250.4**	**264.8**	**221.5**	**206.1**	**195.0**	**141.7**
Net claims on public sector	188.4	206.5	116.6	171.6	172.7	169.5	177.0	154.7	141.3	139.4
Of which: Central government 2/	109.5	133.8	136.0	138.3	147.7	183.2	187.0	184.3	170.0	170.1
Open market operations	14.5	15.3	35.8	-156.2	139.4	55.2	73.7	85.9	-252.8	-458.5
Credit to private sector	339.5	376.0	493.9	475.1	537.0	602.1	675.8	760.1	856.0	966.3
Of which: Foreign currency	76.6	84.3	100.7	101.8	101.4	104.5	107.3	110.7	114.3	118.2
Other	-406.5	-424.0	-391.6	-386.3	-598.7	-561.9	-705.1	-794.5	-549.4	-505.4
Of which: Valuation adjustment	-69.5	-74.9	-126.6	-99.7	-127.0	-132.0	-137.1	-144.8	-154.5	-166.7
Liabilities to private sector (M3)	**444.4**	**527.3**	**645.9**	**590.3**	**683.3**	**730.0**	**780.7**	**836.5**	**897.2**	**963.3**
Money supply (M2)	273.3	310.4	383.6	350.0	398.0	422.1	449.7	482.3	515.7	552.6
Foreign currency deposits	171.1	216.8	262.3	240.3	285.3	307.9	331.0	354.2	381.6	410.7
Fiscal year flows 1/										
Net foreign assets	**117.4**	**44.9**	**37.6**	**83.3**	**41.9**	**32.3**	**94.0**	**71.2**	**71.8**	**119.4**
Net domestic assets	**-93.6**	**38.0**	**81.0**	**-50.1**	**-4.5**	**14.5**	**-43.3**	**-15.3**	**-11.1**	**-53.4**
Net claims on public sector	-79.5	18.1	-89.8	-18.0	56.0	-3.2	7.6	-22.4	-13.4	-2.0
Of which: Central government	-63.9	24.3	2.2	7.1	11.7	35.5	3.8	-2.7	-14.3	0.1
Open market operations	-3.8	0.9	20.5	-55.0	103.6	-84.3	18.5	12.2	-338.7	-205.7
Credit to private sector	13.2	36.5	118.0	39.3	43.1	65.1	73.7	84.3	95.9	110.3
Of which: Foreign currency	-7.3	7.7	16.4	3.1	0.7	3.1	2.8	3.3	3.6	3.9
Other 2/	-23.5	-17.4	32.4	-16.4	-207.2	36.8	-143.1	-89.4	245.0	44.0
Of which: Valuation adjustment	-8.9	-5.4	-51.8	-9.4	-0.4	-5.0	-5.1	-7.7	-9.6	-12.2
Liabilities to private sector (M3)	**23.8**	**82.9**	**118.6**	**33.2**	**37.4**	**46.7**	**50.7**	**55.8**	**60.7**	**66.1**
Money supply (M2)	12.7	37.2	73.2	22.0	14.4	24.1	27.6	32.6	33.3	36.9
Foreign currency deposits	11.1	45.7	45.5	11.2	23.0	22.6	23.1	23.2	27.4	29.2
	(Change in percent of beginning-of-period M3)									
Net foreign assets	**27.9**	**10.1**	**7.1**	**15.0**	**6.5**	**4.7**	**12.9**	**9.1**	**8.6**	**13.3**
Net domestic assets	**-22.3**	**8.6**	**15.4**	**-9.0**	**-0.7**	**2.1**	**-5.9**	**-2.0**	**-1.3**	**-5.9**
Net claims on public sector	-18.9	4.1	-17.0	-3.2	8.7	-0.5	1.0	-2.9	-1.6	-0.2
Of which: Central government	-15.2	5.5	0.4	1.3	1.8	5.2	0.5	-0.3	-1.7	0.0
Open market operations	-0.9	0.2	3.9	-9.9	16.0	-12.3	2.5	1.6	-40.5	-22.9
Credit to private sector	3.1	8.2	22.4	7.1	6.7	9.5	10.1	10.8	11.5	12.3
Of which: Foreign currency	-1.7	1.7	3.1	0.6	0.1	0.5	0.4	0.4	0.4	0.4
Other 2/	-5.6	-3.9	6.1	-2.9	-32.1	5.4	-19.6	-11.5	29.3	4.9
Of which: Valuation adjustment	-2.1	-1.2	-9.8	-1.7	-0.1	-0.7	-0.7	-1.0	-1.1	-1.4
Liabilities to private sector (M3)	**5.7**	**18.7**	**22.5**	**6.0**	**5.8**	**6.8**	**6.9**	**7.2**	**7.3**	**7.4**
Memorandum items:										
M3/monetary base	4.4	4.4	4.6	4.3	4.5	4.4	4.4	4.4	4.4	4.4
M3 velocity	3.5	3.2	2.8	3.2	2.8	2.8	2.8	2.8	2.8	2.8

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

1/ Fiscal year runs from April 1 to March 31. The authorities also compile and diseminate monetary data on the basis of the 2000 MFS manual, which reflect different methodology and coverage.

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	2016	2017
Balance sheet growth (y/y)											
Capital	11.5	14.7	13.8	5.1	5.3	4.0	18.3	7.4	8.5	12.6	11.1
Loans	28.7	24.2	5.3	-1.4	4.8	12.9	14.1	6.6	9.4	18.3	9.2
NPLs	14.2	57.6	68.0	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-15.4
Liquidity											
Domestic currency liquid assets 2/	25.0	30.3	31.3	36.2	30.5	26.7	26.3	31.5	26.5	27.4	29.3
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	116.6	115.9
NPLs/loans	2.3	2.9	4.7	6.5	8.9	7.0	5.4	5.0	4.1	3.5	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	11.0	10.2
Capital Adequacy Ratio (CAR)	16.0	15.2	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.5	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	26.7	22.7
Return on average assets	3.4	3.5	2.9	2.5	3.9	2.4	2.0	2.1	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

	Amount of Purchase		
Available on or after	SDR millions	% Quota	Conditions 1/
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	Met
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	Met
6	Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Met
7	Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Met
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.	October 31, 2018	
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 dabase for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	Met
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	Met
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	Met
12	Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	Met
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	Met
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	Met
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	Met
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	Met
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	Met
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	Met
19	Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Met
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	Met
21	Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Met
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	Met
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	

Table 11. Jamaica: Quantitative Performance Criteria 1/2/

(In billions of Jamaican dollars unless otherwise stated)

	2017					2018					2019
	Indicative Target	Actual	Performance Criteria	Adj. Performance Criteria	Actual	Indicative Target	Performance Criteria	Proposed Revised Performance Criteria	Indicative Target	Proposed Performance Criteria	Indicative Target
	end-September		end-December			end-March	end-June		end-Sep	end-December	end-March
Fiscal targets											
Performance Criteria											
1. Primary balance of the central government (floor) 3/	37.0	62.3	59.0		96.5	132.0	18.0	18.0	44.0	68.0	140.2
2. Overall balance of the public sector (floor) 3/	-36.9	8.0	-44.3	-48.7	1.5	-14.8	-25.0	-25.0	-39.2	-41.1	-14.7
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0	-4.5	0.0		-7.2	0.0	0.0	0.0	0.0	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	-0.6	0.0		-0.6	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	-11.4	0.0		-12.3	0.0	0.0	0.0	0.0	0.0	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets											
7. Tax revenues of the central government (floor) 3/	215.0	237.6	328.0		353.1	473.0	110.0	110.0	234.0	360.0	516.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	2.0	-1.0	3.5	7.9	-0.1	11.5	13.0	16.8	17.2	18.0	20.0
9. Central government spending on social programs (floor) 3/ 7/	11.2	16.4	18.3		22.1	26.6	6.4	6.4	11.9	19.4	28.2
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	1.1	3.0		1.3	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/	1,637	2,377	1,777	1,781	2,534	1,917	1,978	2,075	2,140	2,200	2,300
12. *Monetary policy consultation clause (in percent)*											
Upper band	8.5		8.5			7.5	7.5	6.5	6.5	6.5	6.0
Center inflation target	5.0	4.6	5.0		5.2	5.0	5.0	5.0	5.0	5.0	5.0
Lower band	1.5		1.5			2.5	2.5	3.5	3.5	3.5	4.0

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, 2018-27

(In millions of SDRs, unless otherwise specified)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prospective drawings (4-year EFF)	…	…	…	…	…	…	…	…	…	…
(in percent of quota)	…	…	…	…	…	…	…	…	…	…
Prospective drawings (3-year SBA)	873.70	321.60	…	…	…	…	…	…	…	…
(in percent of quota)	228.18	83.99								
(Projected Debt Service to the Fund based on Existing and Prospective Drawings) 1/										
Amortization	37.11	64.80	83.68	291.45	610.37	481.06	136.42	28.32	9.44	0.00
Amortization (4-year EFF)	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	198.33	517.25	399.33	80.40	0.00	0.00	0.00
Interest and service charges 1/	19.31	28.90	29.69	27.51	19.42	8.26	2.37	0.57	0.13	0.00
GRA surcharges 1/	6.26	15.47	18.08	18.91	9.61	0.06	0.00	0.00	0.00	0.00
SDR charges and assessments 1/	0.63	0.84	0.84	0.83	0.84	0.84	0.84	0.83	0.84	0.84
Total debt service 1/	63.30	110.00	132.29	338.69	640.23	490.21	139.62	29.72	10.40	0.83
(in percent of exports of G&S) 2/	2.25	3.63	4.09	10.04	17.99	13.34	3.68	0.76	0.24	0.02
(in percent of GDP) 2/	0.73	1.25	1.43	3.48	6.27	4.57	1.24	0.25	0.08	0.01
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings) 1/										
Outstanding stock 1/	1,383.93	1,640.73	1,557.04	1,265.60	655.23	174.18	37.76	9.44	0.00	0.00
(in percent of quota)	361.43	428.50	406.64	330.53	171.12	45.49	9.86	2.47	0.00	0.00
(in percent of GDP) 2/	16.04	18.68	16.84	13.01	6.42	1.62	0.34	0.08	0.00	0.00
Memorandum items:										
Exports of goods and services (US$ millions) 2/	4,202.50	4,514.96	4,826.61	5,030.65	…	…	…	…	…	…
Debt service as percent of baseline exports	1.96	3.29	3.82	9.47	…	…	…	…	…	…
Quota	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 eligibile 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.

Annex I. Jamaica: Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Expected Impact if Risks Materialized	Policy Response
Implementation delays in economic and structural reforms	**High** A heavy reform agenda is testing capacity limits, especially legislation drafting. Reform fatigue may aggravate tackling important, yet challenging reforms, e.g. public sector reform.	**High** Modest delay in some reforms could be accommodated without serious repercussions. Others (BOJ act revisions and budget implementation, are critical and time sensitive.	Upgrade implementation capacity at government agencies; continue to engage stakeholders and public on need to safeguard hard won reforms to date.
Continued delays in concluding wage negotiations	**Medium** Negotiations have concluded with the largest group but discussions with teachers, police, and nurses is contentious,	**High** Budget uncertainty with potential for industrial action and disruption of key public services.	Redouble efforts at reaching settlement with unions; identify potential contingency measures for FY18/19 to protect the primary balance target.
Delays in investment and growth dividends from the economic reforms	**High** Despite improved confidence, the expected increase in investment and growth has not yet materialized. Deep-rooted structural constraints that hinder growth, e.g. crime, limited access to finance, and red tape take time to resolve.	**High** Without significant growth payoff, public support of reforms may falter. Sustainable debt reduction also relies crucially on higher growth materializing	Review and update government procurement process; maintain sustained efforts to resolve crime problems, including through engagement with private sector.
Acute fiscal and/or external financing pressures/ tighter global financial conditions	**Medium/High** Jamaica enjoys competitive access to international capital markets. Financing pressures could arise if the thin domestic financial sector undergoes stress, or with rising US interest rates, USD appreciation, combined with limited financing from development partners.	**Medium/High** Limited impact due to absence of immediate financing needs. Medium term refinancing needs rise as bonds mature. Financing pressures could further tighten growth-enhancing fiscal spending.	Continue build up in FX reserves through FX buy auctions, and maintain liability management exercises at MOFP, to help reduce the government's interest bill. Continue necessary upgrades to the BOJ's FX market intelligence gathering and monitoring capacity, to assess the risk associated with capital outflows' episodes. Ensure financial sector linkages and channels of contagion during market stress episodes are both well understood and regulated.
Policy uncertainty	**Medium** Two-sided risks to U.S. growth with uncertainties about the positive short-term impact of the tax bill on growth and the extent of potential medium-term adjustment to offset its fiscal costs.	**High** Lower tourism arrivals, FDI and remittances; lower risk limits for foreign banks in Jamaica leading to lower credit creation; weaker financial balance sheets.	
Natural disasters and epidemics	**Medium** Droughts, floods, and hurricanes are prevalent.	**High** Weather events can cause severe damage to infrastructure and agriculture; growth disruption.	Invest in infrastructure upgrades to build agricultural resilience. Leverage private sector solutions linking agriculture with tourism and manufacturing sectors; Identify and develop self-insurance and ex-ante mitigation strategies.
Cyber-attacks	**Medium** Cyber-attacks against interconnected financial sector, the broader public and public institutions that trigger financial instability or widely disrupt socio-economic activities.	**High** High physical crime can morph into cyber-criminality, reduce public confidence; counter ongoing efforts to reduce violent crime and further disrupt growth.	Upgrade risk management capacity in financial institutions and infrastructure (e.g. payments and settlement system); implement upgrades to POCA legislation.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex II. Debt Sustainability Analysis

Under the current baseline scenario, Jamaica's public debt remains high but is on a downward trend underpinned by sustained efforts in fiscal consolidation. Slippages would undermine policy credibility leading to challenging debt dynamics. The projected decline in public debt is vulnerable to risks from key macro-fiscal shocks, public bodies, and natural disasters from climate change.[1]

A. Public Debt Sustainability Analysis

1. **Jamaica's public debt has declined steadily since 2013.** Between FY13/14 and FY16/17, public debt has fallen by about 20 percentage points to about 120 percent of GDP (EFF definition). Under baseline projections, public debt would fall to 72.7 percent of GDP at end-March 2024.

2. **Jamaica's declining public debt has been underpinned by fiscal consolidation under the IMF-supported program and the buyback of the PetroCaribe debt in July 2015.**[2] Central government primary surpluses have been more than 7 percent of GDP since FY2013/14. In addition, the decline in public debt in FY2015/16 reflects the buyback of the PetroCaribe debt, which resulted in an upfront reduction of public debt by 10 percent of GDP. Since FY2016/17, the overperformance in fiscal outturns, along with lower interest rates and more proactive debt management, has contributed to debt reduction.

3. **Nevertheless, public debt sustainability risks are significant, particularly from key macro-fiscal and contingent liability shocks.**

- The dynamics of debt reduction hinge on sustained fiscal consolidation. The reduction in public debt since 2015 has been supported by fiscal consolidation. While slippages in fiscal consolidation do not seem to have a significant direct impact on debt trajectory (Figure A.II.5),[3] its indirect effects on public debt can be significant. For example, fiscal complacency could undermine policy credibility and investor confidence, causing a spike in sovereign bond yields and potential loss of market access, which could lead to unpleasant public debt dynamics. Thus, maintaining the strong fiscal stance is critical to reduce public debt to 60 percent of GDP or below by FY2025/26, as entrenched in the FRL.

- Economic slack could derail the debt profile. In a scenario with 1.5 percentage points lower real GDP growth in FY2018/19 and FY2019/20, corresponding to one standard deviation of growth

[1] The main assumptions underpinning the DSA are presented in the lower panel of Figure 4 and are based on the medium-term macroeconomic framework under the SBA.

[2] See Box 2 in IMF Country Report No. 15/270.

[3] The scenario describes a cumulative relaxation of the primary balance by 4.2 percentage points of GDP, spread over FY2017/18–FY2021/22 (Figure A.II.5, lower panel). This implies a primary surplus of 5.7 percent of GDP, a significantly looser fiscal stance than the historical average of over 7 percent of GDP.

over the past 10 years, the primary balance would deteriorate by 0.2 and 1.4 percent in these two years, respectively. Public debt would rise to about 93 percent of GDP by 2020, 5 percentage points above the current baseline projection.

- Debt profile is also vulnerable to fiscal risks from public bodies. Some public bodies such as Clarendon Alumina Production Ltd and Jamaica Urban Transit Co. Ltd (JUTC) have incurred repeated losses. While CAP's upgrade of infrastructure and energy solution is underway, continued losses could pose risks to the government fiscal balances and debt profile.[4] In addition, the recent US sanctions on Venezuela resulted in short-term liquidity constraints to Petrojam, a public body jointly owned by the Petroleum Corporation of Jamaica and PDVSA of Venezuela. If Petrojam's cash flows continue to be impacted negatively, it could require additional government support. The on-going review of entities under the Government's rationalization of public bodies could, through possible restructuring and/or divestment, serve to contain the fiscal risks from these entities over the medium term.

4. **Overall risks to the debt outlook remain elevated as indicated by both the symmetric and asymmetric fan charts (Figure A.II.1).** Based on the joint historical distribution of the main macroeconomic aggregates (real GDP growth, interest rate, nominal exchange rate, and primary balance), there is a 25 percent probability that public debt would exceed 93 percent of GDP at end-March 2021, even absent a contingent liability shock.

5. **Jamaica's fiscal sustainability is also vulnerable to natural disasters.**

- ***Calibration of the shock.*** Jamaica ranks 36 out of 206 countries worldwide in terms of average damage from natural disaster. It is highly exposed to shocks from climate change including hurricanes and flooding damage.[5] This test scenario assumes that such a shock causes 5 percent of GDP in damages, twice the conditional average cost of natural disasters in Jamaica over the past two decades.[6] The calibrated shock is a conservative estimate, given that the largest (hurricane Gilbert in 1988) and second largest natural disaster (hurricane Ivan in 2004) caused damages of 65 percent and 6.6 percent of GDP, respectively.

- ***Parametrization of the scenario.*** With a disaster of such magnitude, real growth would typically be about 2.5 percentage points lower in the year of the disaster and 0.5 percentage points lower in the following year, and accelerate by 0.5 percentage points two years after the disaster (boosted by a low base and delayed reconstruction). Based on the past distribution of

[4] For example, in FY2012/13, the government assumed about 70 percent of total liabilities (amounting to US$390mn) in Clarendon Alumina Production (CAP) as its own liabilities.

[5] The ranking is measured in terms of the average damage as a percent of GDP of natural disasters during 1990–2014 based on IMF database on *Growth and Resilience Initiative: Stylized Facts About Natural Disasters*.

[6] Jamaica had 9 major hurricanes and storms over the past two decades (estimated damages in percent of GDP): 1988 hurricane Gilbert (65), 2002 flood (0.6), 2004 hurricane Ivan (6.6), 2005 hurricane Dennis and Emily (1), 2005 hurricane Wilma (0.6), 2007 hurricane Dean (2.9), 2008 storm Gustav (1.8), 2010 storm Nicole (1.9), 2012 hurricane Sandy (0.8).

damages between the public and the private sectors, it is assumed that the government would cover ¾ of the damages, corresponding to 3¾ percent of GDP in this scenario. The associated fiscal expenditure is assumed to be spread over 3 years: 2 percent of GDP in the first year, and 1.5 and ¼ percent of GDP in next two years respectively.

- ***Impact* on *public debt***. The shock would have a material impact on public debt, shifting the entire public debt trajectory up by around 7 percent of GDP above the baseline; public debt would reach 80 percent of GDP at end-March 2024. At the same time, Jamaica, as in other Caribbean countries, is also heavily exposed to the adverse impact of climate change, which could weaken the potential growth over the medium term (IMF 2016). With the risk of more frequent and intense natural disasters, it is important to build sizable and lasting fiscal buffers by mobilizing revenues and transforming public sector to cover the cost of future disasters.

6. **Further development of the domestic bond market could mitigate financing risks, including rollover risks.** Capitalizing on the liquidity available from the redemption of a J$62 billion (about 4 percent of GDP) government bond, in October and November 2017 the GoJ issued J$9 billion bonds at various maturities (J$4bn at 3½-year maturity and J$5bn at 20-year maturity) to meet the demand for new government assets. Concerted efforts to further develop local currency bond market offer the government an additional funding source to meet its financing needs and to address the FX risk of the debt portfolio. The risk profile of public debt would indeed benefit from reduced reliance on foreign currency (see below).

B. External Debt Sustainability Analysis

7. **The recent shift towards external financing sources has increased public debt's exposure to exchange rate risk.** Jamaica tapped the international capital markets during 2013–15 and more recently in mid-2017, shifting the composition toward FX denominated debt (Figure A.II.4). External debt is now estimated at around 69 percent of GDP in FY2017/18, about 5 percentage points of GDP higher than in FY2013/14. The foreign-currency denominated public debt accounts for about 64 percent of total public debt. As illustrated in Figure A.II.5, public debt is most vulnerable to sharp exchange rate depreciation. As noted, shifting the financing sources towards domestic ones will alleviate the FX risk.

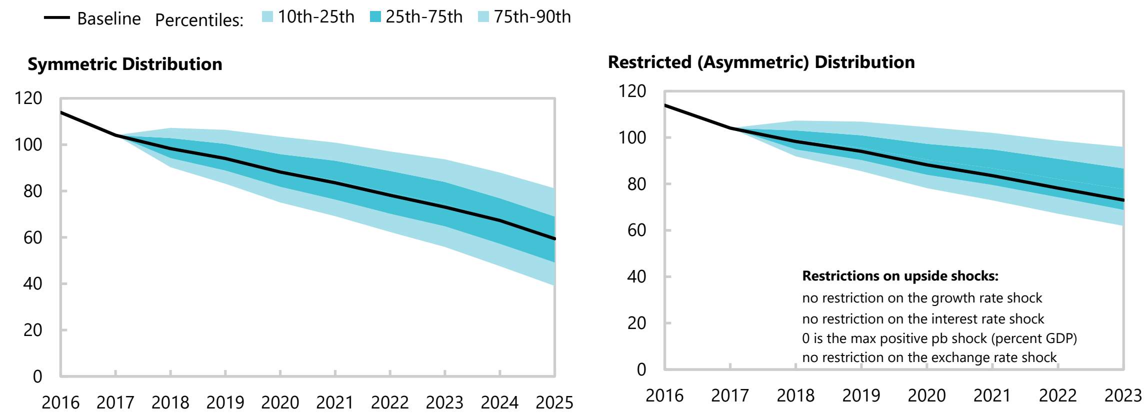
Figure 1. Jamaica Public DSA Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

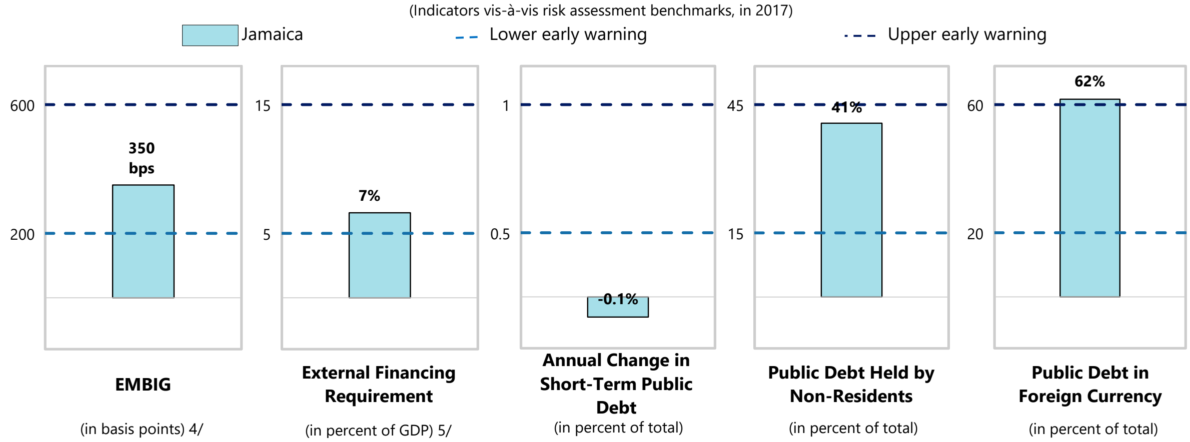
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2017)



Source: Fund staff calculations.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

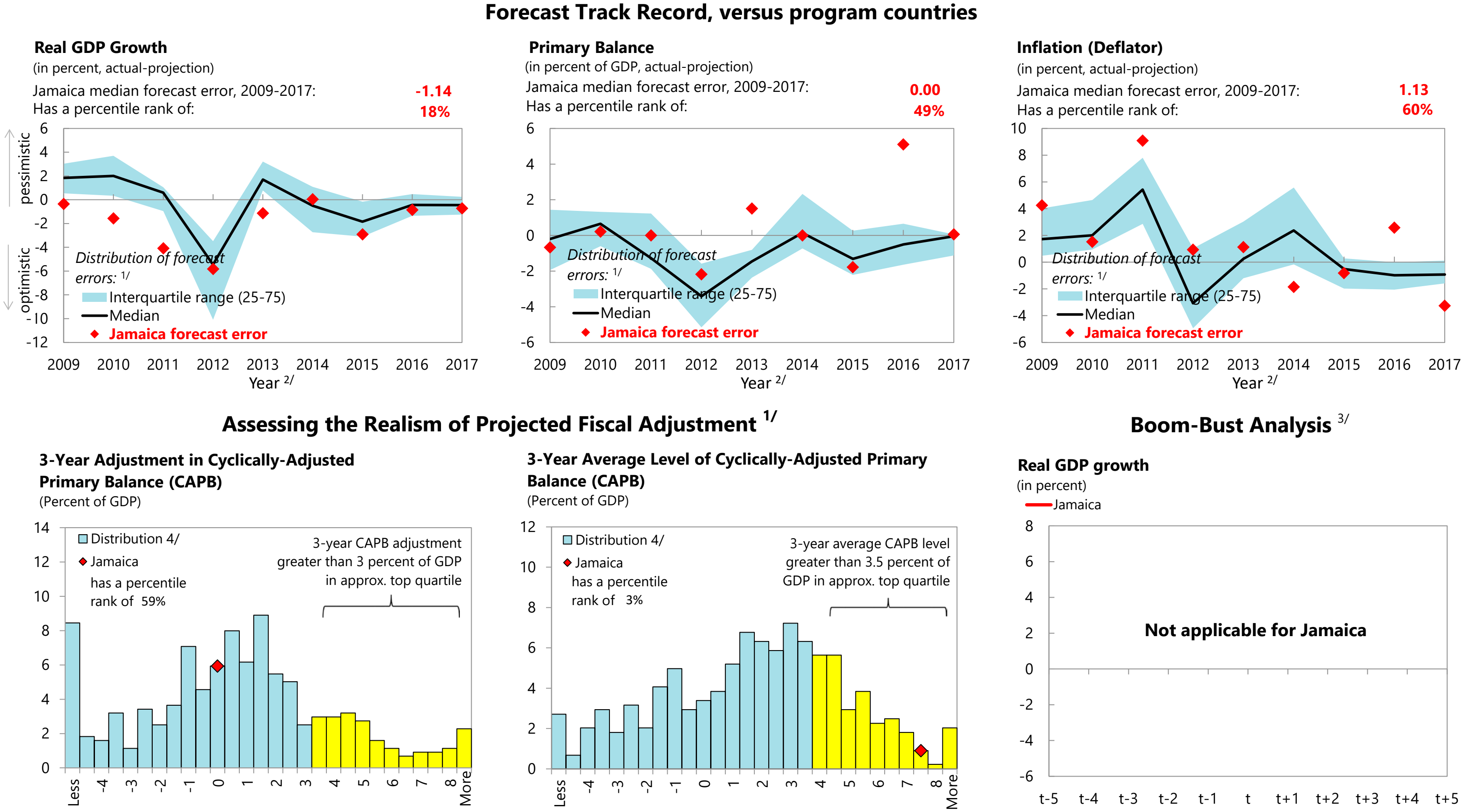
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 02-Sep-17 through 01-Dec-17.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 2. Jamaica Public DSA – Realism of Baseline Assumptions



Source: Fund staff calculations.

1/ Plotted distribution includes program countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Jamaica, as it meets neither the positive output gap criterion nor the private credit growth criterion.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

JAMAICA

Figure 3. Jamaica Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario

(in percent of GDP unless otherwise indicated)

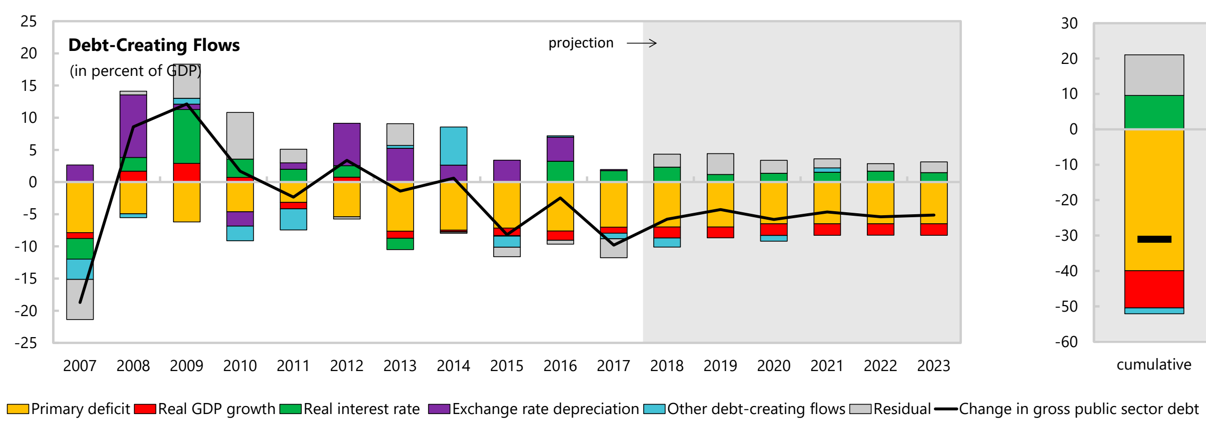
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2007-2015 [2/]	2016	2017	2018	2019	2020	2021	2022	2023
Nominal gross public debt	119.1	113.9	104.1	98.3	94.0	88.2	83.6	78.2	73.0
Of which: guarantees	5.0	2.1	2.0	1.9	1.7	1.6	1.5	1.4	1.3
Public gross financing needs	14.8	12.2	12.9	8.7	5.0	4.5	3.5	2.2	0.9
Real GDP growth (in percent)	-0.2	1.3	0.9	1.7	1.9	2.1	2.2	2.2	2.5
Inflation (GDP deflator, in percent)	9.1	4.4	4.9	5.0	5.0	5.0	5.0	5.0	5.4
Nominal GDP growth (in percent)	8.9	5.7	5.8	6.8	6.9	7.2	7.3	7.4	8.0
Effective interest rate (in percent) [4/]	10.4	7.4	6.6	7.5	6.4	6.7	7.0	7.3	7.6

As of December 01, 2017		
Sovereign Spreads		
EMBIG (bp) 3/		49
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Caa2	Caa2
S&Ps	B	B
Fitch	B	B

Contribution to Changes in Public Debt

	Actual			Projections							
	2007-2015	2016	2017	2018	2019	2020	2021	2022	2023	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	-0.5	-2.5	-9.8	-5.8	-4.3	-5.8	-4.7	-5.4	-5.1	-31.0	
Identified debt-creating flows	-1.6	-1.9	-6.9	-7.8	-7.5	-7.8	-6.1	-6.5	-6.8	-42.5	
Primary deficit	-6.1	-7.6	-7.0	-7.0	-7.0	-6.5	-6.5	-6.5	-6.5	-40.0	-0.3
Primary (noninterest) revenue and grants	26.8	28.0	29.3	29.3	29.2	28.9	28.8	28.6	28.3	173.1	
Primary (noninterest) expenditure	20.7	20.4	22.3	22.3	22.2	22.4	22.3	22.1	21.8	133.2	
Automatic debt dynamics [5/]	4.8	5.6	1.0	0.6	-0.5	-0.4	-0.2	0.0	-0.3	-0.9	
Interest rate/growth differential [6/]	1.5	1.8	0.9	0.6	-0.5	-0.4	-0.2	0.0	-0.3	-0.9	
Of which: real interest rate	1.3	3.2	1.8	2.3	1.2	1.4	1.5	1.7	1.5	9.6	
Of which: real GDP growth	0.2	-1.4	-0.9	-1.7	-1.7	-1.8	-1.8	-1.8	-1.8	-10.5	
Exchange rate depreciation [7/]	3.3	3.7	0.2	…	…	…	…	…	…	…	
Other identified debt-creating flows	-0.4	0.2	-0.9	-1.4	0.0	-0.9	0.7	0.0	0.0	-1.6	
Privatization Receipts and Deposits Drawdown (negative)	-0.4	0.2	-0.9	-1.4	0.0	-0.9	0.7	0.0	0.0	-1.6	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt flows (incl. ESM and Euroarea loans)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [8/]	1.2	-0.6	-2.9	2.0	3.2	2.0	1.4	1.1	1.7	11.5	



Source: Fund staff calculations.

1/ Public sector is defined as central government and includes public guarantees and PetroCaribe.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

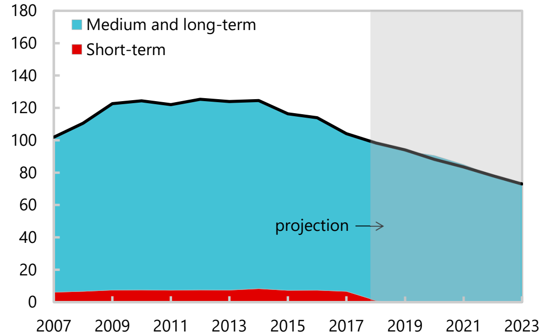
8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

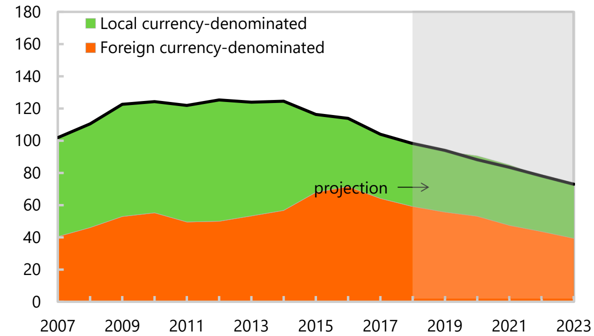
Figure 4. Jamaica Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



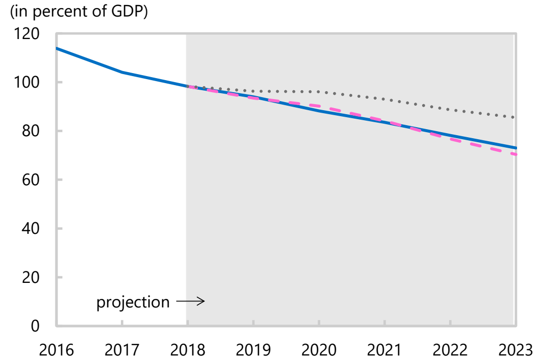
By Currency
(in percent of GDP)



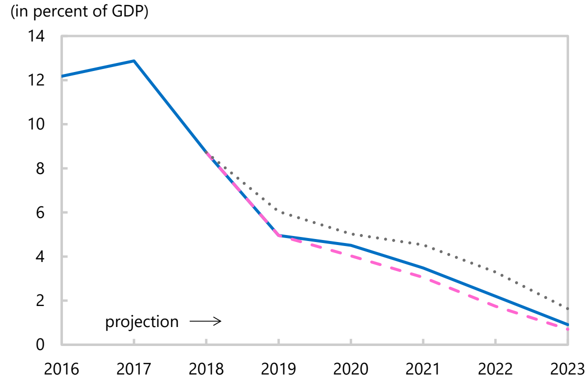
Alternative Scenarios

Baseline Historical Constant Primary Balance

Gross Nominal Public Debt
(in percent of GDP)



Public Gross Financing Needs
(in percent of GDP)



Underlying Assumptions
(in percent)

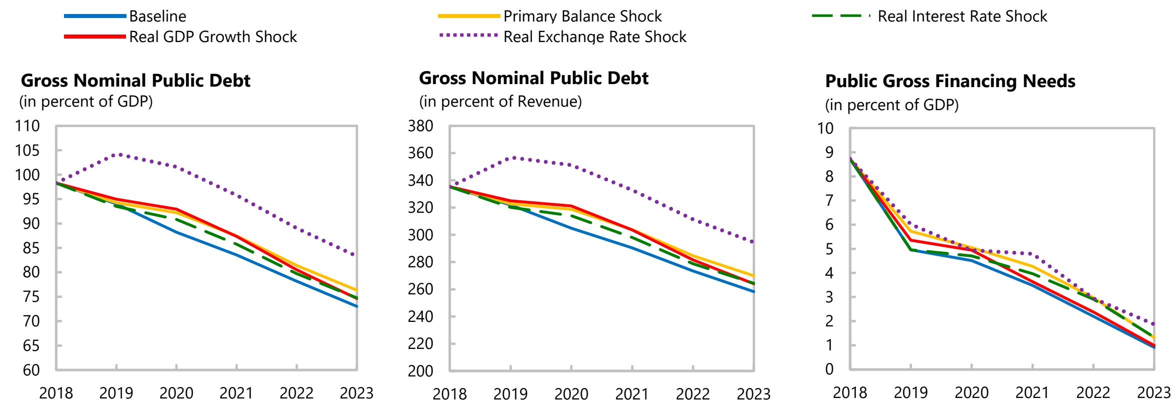
Baseline Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	1.7	1.9	2.1	2.2	2.2	2.5
Inflation	5.0	5.0	5.0	5.0	5.0	5.4
Primary Balance	7.0	7.0	6.5	6.5	6.5	6.5
Effective interest rate	7.5	6.4	6.7	7.0	7.3	7.6
Constant Primary Balance Scenario						
Real GDP growth	1.7	1.9	2.1	2.2	2.2	2.5
Inflation	5.0	5.0	5.0	5.0	5.0	5.4
Primary Balance	7.0	7.0	7.0	7.0	7.0	7.0
Effective interest rate	7.5	6.4	6.7	6.8	7.2	7.6

Historical Scenario	2018	2019	2020	2021	2022	2023
Real GDP growth	1.7	-0.1	-0.1	-0.1	-0.1	-0.1
Inflation	5.0	5.0	5.0	5.0	5.0	5.4
Primary Balance	7.0	6.1	6.1	6.1	6.1	6.1
Effective interest rate	7.5	6.4	6.7	6.8	7.1	7.5

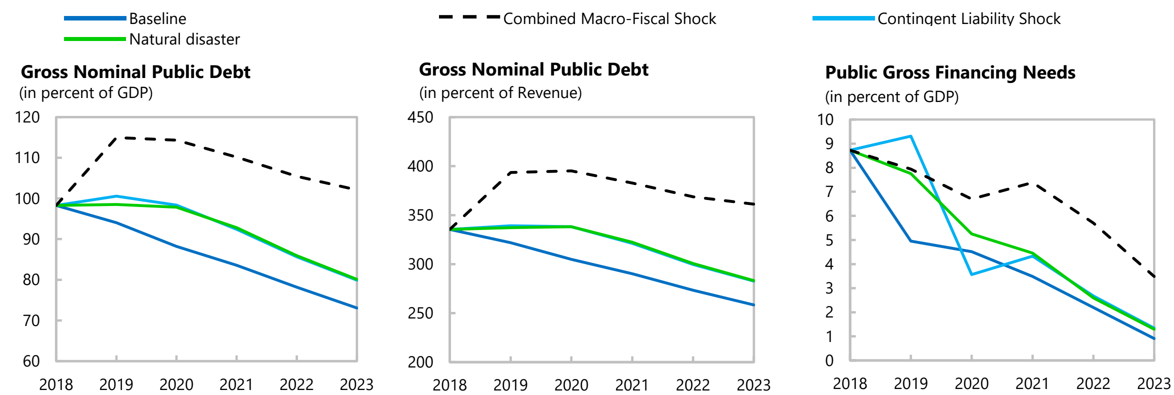
Source: Fund staff calculations.

Figure 5. Jamaica Public DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

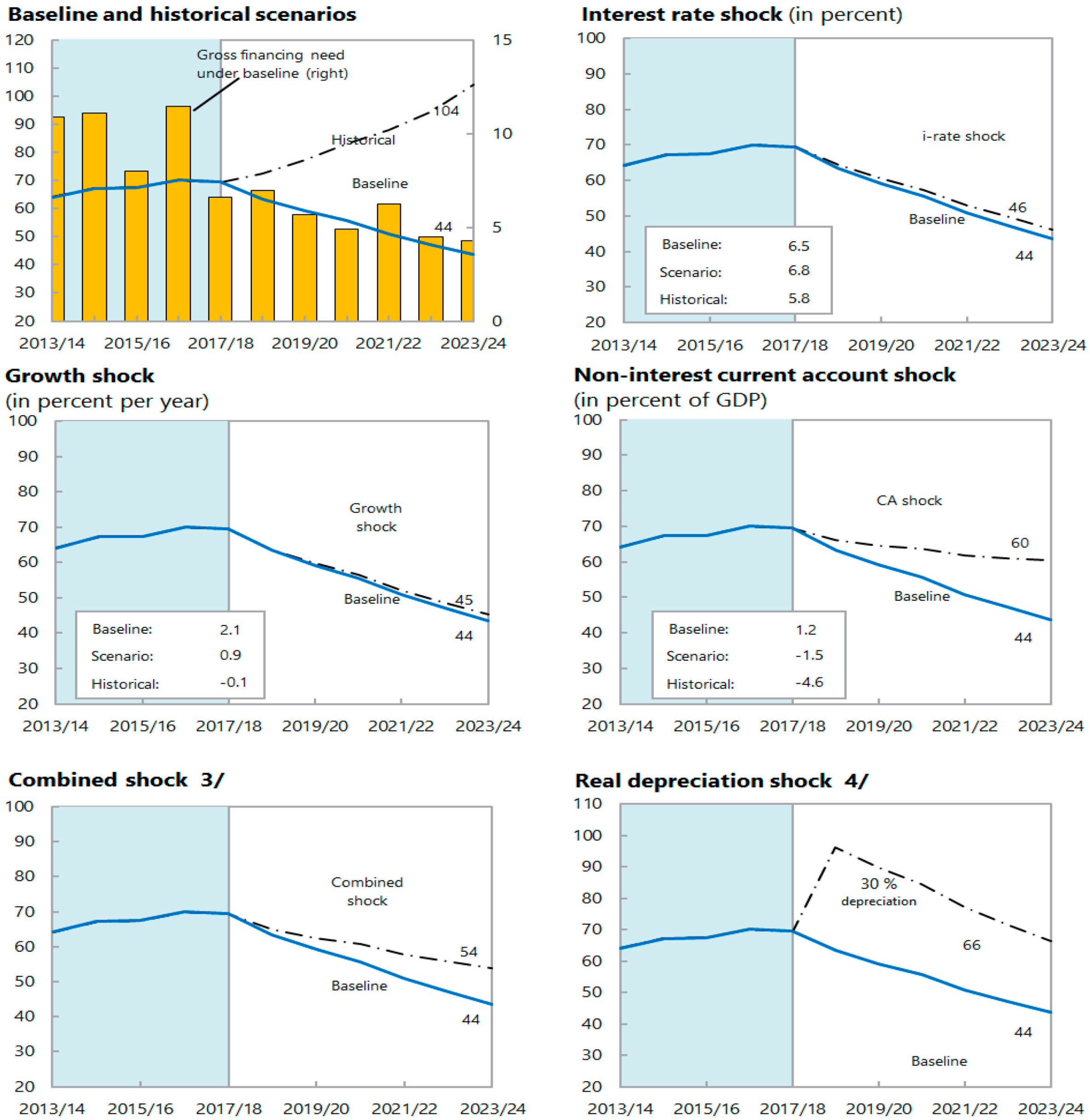
	2018	2019	2020	2021	2022	2023
Primary Balance Shock						
Real GDP growth	1.7	1.9	2.1	2.2	2.2	2.5
Inflation	5.0	5.0	5.0	5.0	5.0	5.4
Primary balance	7.0	6.2	5.7	5.7	5.7	5.7
Effective interest rate	7.5	6.4	6.7	6.8	7.2	7.6
Real Interest Rate Shock						
Real GDP growth	1.7	1.9	2.1	2.2	2.2	2.5
Inflation	5.0	5.0	5.0	5.0	5.0	5.4
Primary balance	7.0	7.0	6.5	6.5	6.5	6.5
Effective interest rate	7.5	6.4	6.9	7.4	8.2	8.8
Combined Shock						
Real GDP growth	1.7	0.8	1.7	2.2	2.2	2.5
Inflation	5.0	4.9	5.0	5.0	5.0	5.4
Primary balance	7.0	6.2	5.7	5.7	5.7	5.7
Effective interest rate	7.5	7.5	6.9	7.4	8.2	9.0

	2018	2019	2020	2021	2022	2023
Real GDP Growth Shock						
Real GDP growth	1.7	0.8	1.7	2.2	2.2	2.5
Inflation	5.0	4.9	5.0	5.0	5.0	5.4
Primary balance	7.0	6.7	6.1	6.5	6.5	6.5
Effective interest rate	7.5	6.4	6.7	6.8	7.2	7.6
Real Exchange Rate Shock						
Real GDP growth	1.7	1.9	2.1	2.2	2.2	2.5
Inflation	5.0	13.1	5.0	5.0	5.0	5.4
Primary balance	7.0	7.0	6.5	6.5	6.5	6.5
Effective interest rate	7.5	7.5	6.6	6.6	7.0	7.4
Contingent Liability Shock						
Real GDP growth	1.7	0.7	0.9	2.2	2.2	2.5
Inflation	5.0	4.7	4.7	5.0	5.0	5.4
Primary balance	7.0	3.1	6.5	6.5	6.5	6.5
Effective interest rate	7.5	6.7	6.8	6.9	7.2	7.6

Source: Fund staff calculations.

Figure 6. External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2018/19.

Table 1. Jamaica: External Debt Sustainability Framework, 2013/14-2023/24
(in percent of GDP, unless otherwise indicated)

	Actual				Est.			Projections						
	2013/14	2014/15	2015/16	2016/17	2017/18			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	64.1	67.2	67.4	70.0	69.4			**63.4**	**59.2**	**55.6**	**50.8**	**47.2**	**43.6**	**-4.6**
Change in external debt	2.2	3.1	0.2	2.6	-0.6			-6.1	-4.2	-3.6	-4.8	-3.6	-3.6	
Identified external debt-creating flows (4+8+9)	7.8	3.7	-5.3	-2.1	-2.5			-2.7	-3.1	-3.4	-3.8	-3.8	-6.1	
Current account deficit, excluding interest payments	5.7	3.6	-1.3	-1.5	-1.2			-1.2	-1.0	-1.0	-0.8	-0.6	-2.7	
Deficit in balance of goods and services	22.1	20.6	14.9	15.6	15.4			15.0	14.7	14.4	14.1	13.8	11.2	
Exports	30.3	31.8	30.2	32.0	32.8			33.7	33.5	33.2	33.0	32.9	32.4	
Imports	52.4	52.4	45.1	47.6	48.2			48.7	48.2	47.6	47.1	46.6	43.6	
Net non-debt creating capital inflows (negative)	-3.6	-4.3	-6.6	-4.2	-4.7			-4.6	-4.8	-5.0	-5.3	-5.3	-5.3	
Automatic debt dynamics 1/	5.8	4.4	2.6	3.5	3.4			3.0	2.7	2.6	2.3	2.1	1.9	
Contribution from nominal interest rate	3.1	3.4	3.3	4.4	4.0			4.1	3.8	3.7	3.5	3.2	3.0	
Contribution from real GDP growth	-0.6	-0.1	-0.7	-0.9	-0.6			-1.2	-1.1	-1.2	-1.1	-1.1	-1.1	
Contribution from price and exchange rate changes 2/	3.3	1.1	-0.9	1.8	-2.5			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-5.6	-0.6	5.5	4.7	1.9			-3.3	-1.1	-0.2	-1.0	0.2	2.5	
External debt-to-exports ratio (in percent)	211.6	211.1	223.3	218.6	211.6			188.0	176.6	167.4	154.0	143.6	134.5	
Gross external financing need (in billions of US dollars) 4/	1.5	1.5	1.1	1.6	1.0			1.1	0.9	0.8	1.1	0.8	0.8	
in percent of GDP	10.9	11.1	8.0	11.4	6.6			7.0	5.7	4.9	6.2	4.5	4.3	
Scenario with key variables at their historical averages 5/						10-Year Historical Average	10-Year Standard Deviation	**72.5**	**77.2**	**83.0**	**87.9**	**94.3**	**103.9**	**1.0**
Key Macroeconomic Assumptions Underlying Baseline														For debt stabilization
Real GDP growth (in percent)	0.9	0.2	1.0	1.3	0.9	-0.1	1.4	1.7	1.9	2.1	2.2	2.2	2.5	
GDP deflator in US dollars (change in percent)	-5.1	-1.6	1.4	-2.6	3.7	1.3	5.2	3.5	2.6	2.6	2.2	2.1	2.4	
Nominal external interest rate (in percent)	4.8	5.2	5.0	6.5	5.9	5.8	1.0	6.3	6.3	6.6	6.5	6.6	6.7	
Growth of exports (US dollar terms, in percent)	-5.1	3.5	-2.8	4.6	7.1	-0.7	8.1	8.2	3.9	3.7	3.8	4.0	3.5	
Growth of imports (US dollar terms, in percent)	-6.0	-1.5	-11.8	4.1	5.8	-1.5	12.9	6.4	3.5	3.3	3.3	3.4	-2.0	
Current account balance, excluding interest payments	-5.7	-3.6	1.3	1.5	1.2	-4.6	5.3	1.2	1.0	1.0	0.8	0.6	2.7	
Net non-debt creating capital inflows	3.6	4.3	6.6	4.2	4.7	3.7	1.7	4.6	4.8	5.0	5.3	5.3	5.3	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Annex III. Towards a Broad-Based, Low-Rate Tax Regime

Jamaica has made significant progress at reforming its tax regime. Tax expenditures have fallen and CIT revenues have been buoyant despite significant rate reductions. To maintain these achievements, it is essential to resist pressure to introduce new incentives. Extension of the low-rate, broad base tax policy into the international sphere will entail, over time, a reduction of cross-border withholding taxes, which in turn will require safeguard measures to prevent tax base erosion.[1]

1. **The gains from the tremendous progress in Jamaica's domestic tax reforms in recent years, mostly in line with IMF/IDB advice, need to be sustained.** The 2013 Omnibus incentives reforms, including the Fiscal Incentives Act (FIA), repealed many sectoral incentives, reduced the corporate income tax (CIT) rate for unregulated industries from 33 1/3 percent to 25 percent, and offered an employment tax credit (ETC) that further reduced the effective CIT rate to 17.5 percent. The general consumption tax (GCT) base has been broadened through streamlined exemptions, an increased exemption threshold on electricity consumption, and an increase in the reduced rate on tourism from 8.25 to 10 percent. Special consumption tax (SCT) rates have been more closely tailored to externalities and their real values have been updated. The property tax was adjusted to include the 2013 valuations and made more progressive.

2. **The low-rate, broad-base reform strategy needs to be extended to the international sphere.** Improving the income tax law, tax treaty network, and sectoral incentives will help facilitate foreign investment, while raising a reasonable amount of revenue and protecting the domestic tax base. As a net capital importer, major investors into Jamaica include the US, Spain, China, Canada and Mexico. Major investment sectors include mining (bauxite) and tourism (hotels), which are both critical to Jamaica's export sector.

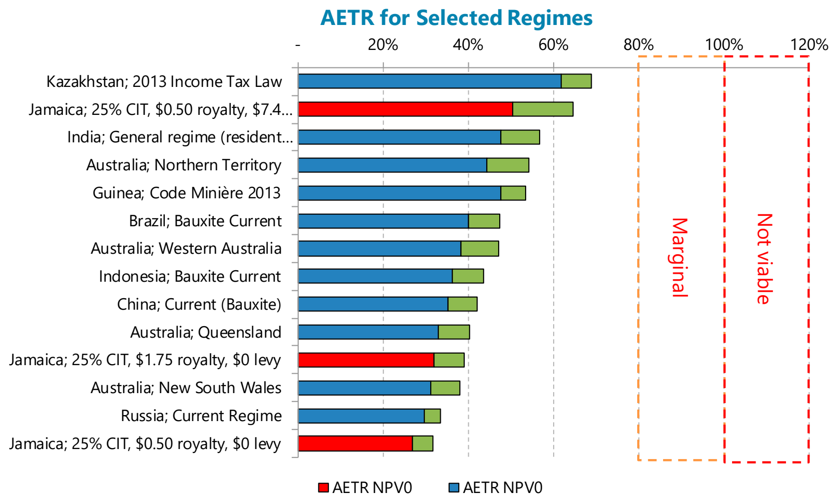
A. Tax Incentives

3. **The 2013 tax reform eliminated many tax incentives and reduced discretionary waivers.** Tax expenditures accordingly fell from 8 percent of GDP in 2008 to about 3 percent in 2016. Still, the 2013 reform retained tax expenditures for bauxite and urban renewal, and there is intense pressure to introduce new incentives: the 2013 reform introduced tax breaks for large-scale project and pioneering industries (LPPI); in 2016, Special Economic Zones (SEZs) and Junior Stock Exchange (JSE) tax breaks were introduced; and legislation to introduce a low-rate International Business Companies (IBC) tax regime is currently under consideration.

[1] This annex has been prepared as part of FAD's initiative to support IMF surveillance with analyses of international taxation issues. It has benefited from discussions with the Jamaican authorities and business representatives.

Bauxite

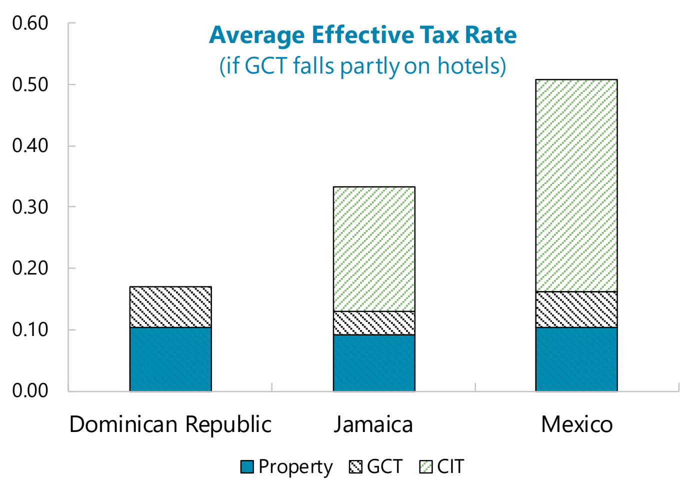
4. **The current de-facto regime for bauxite appears overly generous.**



- The statutory tax regime consists of the standard 25 percent CIT, a specific US$0.50/ton royalty, and the bauxite levy (a quasi-ad valorem royalty with a base rate of US$5/ton), combined with a 100 percent waiver of excises on fuel inputs. In the wake of the 2008 financial crisis, the major companies in Jamaica entered into restructuring agreements, which traded commitments for new investments for a lower tax burden. The bauxite levy has thus been waived provisionally for two firms and permanently for the other two, which are paying an elevated variable royalty of US$1.00-1.75/ton.

- While Jamaica's statutory bauxite regime is relatively onerous, the effective regimes are relatively light. This is despite the fact that Jamaica's surface-level bauxite is easier to mine than most countries' bauxite deposits. There is thus some scope for amending the permanent bauxite tax regime. Given Jamaica's focus on the environment (e.g. the recent carbon tax and new mining policy), taxing fuel inputs could be a significant first step.

Tourism



5. **Unifying the tourism tax regime could promote domestic linkages and support growth.** Jamaica's tax regime for tourism is within the range of its major competitors, Mexico and the Dominican Republic. The regime includes a "productive input relief" of customs duty on certain imported inputs and GCT at a reduced rate of 10 percent. In addition to the GCT, all hotels charge the "guest accommodation room tax" (GART) of US$1 to US$4/night (higher for hotels with more rooms) which imposes a relatively higher burden on low-cost rooms and during off-seasons. The reduced GCT rate, since it applies to catering,

indirectly promotes all-inclusive hotels which have fewer linkages to the domestic economy, and creates an uneven playing field for stand-alone restaurants and other establishments. Repealing the GART and charging the standard GCT rate of 16.5 percent could raise about J$5.4 billion or one percent of revenues while leveling the playing field.

Special Economic Zones

6. **SEZs, while an improvement over the fully tax-exempt Economic Free Zones (EFZ), pose risks to the domestic tax base and bring administrative challenges.**

- EFZs, which are being phased-out due to World Trade Organization rules, were prohibited from trading with the domestic economy, and enjoyed a wide range of incentives, including full exemption from GCT, customs duties, and CIT. SEZ companies, on the other hand, can trade with the domestic economy[2] and will be subject to an effective CIT rate between 12.5 and 7.5 percent once the ETC and the "promotional tax credit" (PTC) for research and development (R&D) are credited. Dividend distributions in and out of SEZs will also be tax-free. Like EFZs, SEZs can be single-entity enterprises.

- While the positive CIT rate is a good step, there is now a risk that domestic companies with SEZ affiliates could distribute dividends tax-free and shift their profits to the lower-CIT rate regime. Furthermore, since SEZ companies can trade domestically, monitoring potential leakages of untaxed goods will pose a significant burden on revenue administration. Therefore, over time, SEZ incentives should be limited to the reduced CIT rate, with that rate converging to the standard rate in the long run.

- The PTC, which is limited to 10 percent of CIT liability, does not stimulate any significant level of R&D at the margin. There is also no good policy reason to limit R&D incentives to SEZs. The incentive should therefore be redesigned and made available to all Jamaican businesses, government revenue costs permitting.

Finance and Real Estate

7. **Finance and real estate incentives should focus on improving domestic outcomes.**

- The IBC regime under consideration would offer a wide array of tax benefits for offshore financing, including a reduced CIT rate, zero-rating for GCT, and exemption from stamp duty, transfer tax and dividend taxes. This regime has several drawbacks and should be avoided: (i) A low-rate regime for offshore financial companies contrasts starkly with the high-tax regime for domestic financial companies, which includes not only a 33 1/3 percent CIT rate but also an Asset Tax; (ii) Since IBCs would be prohibited from trading with the domestic economy, they are unlikely to stimulate domestic credit or to create domestic linkages at all; and (iii) Such a regime would attract scrutiny from the Forum on Harmful Tax practices and raise money laundering and

[2] Transactions with the domestic economy are subject to customs duties, GCT and SCT.

terrorism financing risks. Instead, holistically addressing domestic financial sector taxation, by unifying the CIT rates, and phasing out the asset tax would better support domestic activity.

- The Junior Stock Exchange (JSE) incentive, which fully exempts listed companies from income tax, is an inefficient investment stimulus. Redesigning it to instead allow listed firms to expense capital investment (while still deducting interest expense) would provide a net investment subsidy., However, unlike income tax exemption it would not benefit mature, profitable firms unless they were considering expansion.

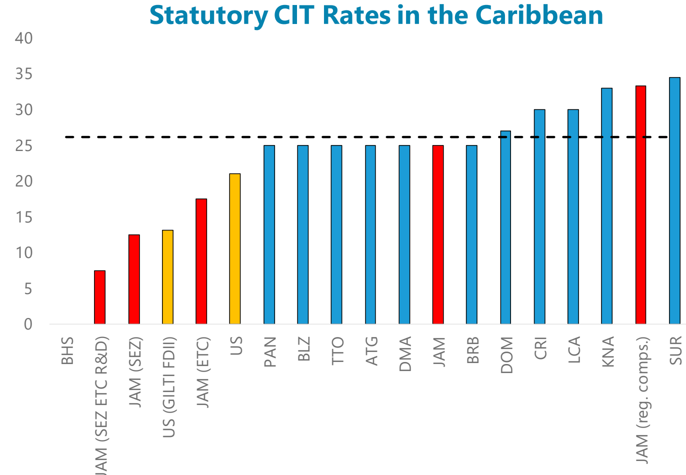
- Like the JSE incentive, the Urban Renewal incentive is an inefficient investment stimulus. Providing a diverse range of exemptions for both income and transaction taxes, it is cumbersome to access and benefits mainly large developers. Following IMF TA recommendations, reducing the transfer tax and stamp duty on real estate transactions (currently at a combined 9 percent), while increasing recurrent property taxes, would be a more effective strategy to increase turnover and investment in the real estate market.

B. International Sphere

8. **Jamaica's Income Tax Act (ITA) should be modernized and the income tax base expanded.** The Act dates from 1954 and its various amendments have fostered numerous inconsistencies with respect to cross-border taxation. The Act should be reviewed and modernized to include sound definitions of source, residence, and permanent establishment. The income tax base should also be extended to include capital gains, whose omission creates arbitrage opportunities. Although capital gains taxation is often viewed as administratively challenging, including capital gains in the business income tax base should actually facilitate compliance, since companies no longer have to distinguish between capital income and operating income. Taxing capital gains could also help finance a reduction of gross transaction taxes (transfer tax and stamp duty) that inhibit economic activity.

9. **Jamaica's effective CIT rate of 17.5 percent for unregulated domestic entities is globally competitive.** Going forward, Jamaica should focus on unifying its disparate CIT rates, which distort investment incentives and create opportunities for domestic transfer pricing. Reduction of the 33 1/3 percent rate on regulated industries, however, should be preceded by regulatory reforms to address potential rents in the finance, telecommunication, and utility sectors.

Statutory CIT Rates in the Caribbean



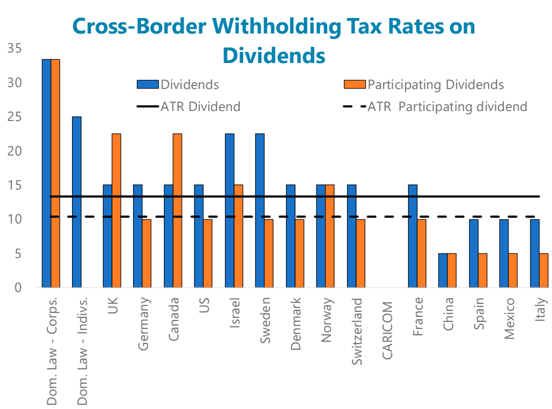
10. **Jamaica's tax treaties cover its key economic relationships, but there are risks of treaty abuse.** Treaty withholding tax (WHT) rates have trended down over time, but most remain

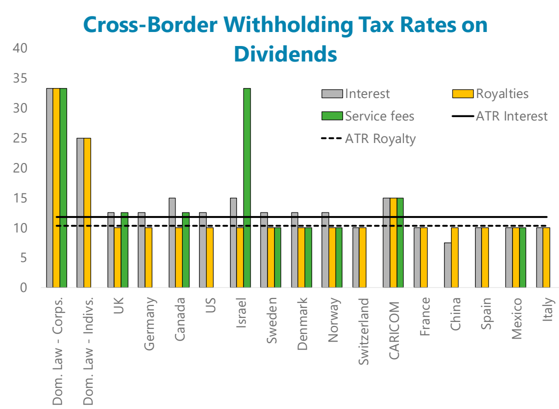
significantly above zero. The important exception is the CARICOM treaty, which has zero taxation of dividends. It also allocates all taxing rights to the source country, prohibiting taxation in the residence country.

- The CARICOM treaty can be used to avoid Jamaica's 15 percent domestic dividend tax through "round-tripping": Earnings from Jamaica are distributed to a holding company in another CARICOM country and then redistributed back to Jamaica, all without tax. Since WHT forms are not filed for zero-rated payments, the extent of this behavior cannot be quantified.

- First steps toward addressing this problem include (i) quantifying the extent of "round-tripping" and (ii) amending the ITA to treat Jamaican-owned foreign companies that derive predominantly passive income as Jamaican tax residents and/or to prevent third country residents from indirectly obtaining treaty benefits (anti-treaty-abuse measure).

11. **High WHTs hinder FDI from countries without a tax treaty.** For countries without a tax treaty, WHTs are imposed at a rate of 33 1/3 percent on all cross-border payments (i.e., dividends, interest, royalties and service fees). The rate should instead be aligned more closely with the WHTs prevailing under Jamaica's major tax treaties. However, lowering WHT rates will necessitate increased vigilance on transfer pricing together with the introduction of thin capitalizing and/or earnings stripping rules. As a first step, authorities should estimate the net revenue impact of lowering WHTs.





Annex IV. 2018 External Sector Assessment

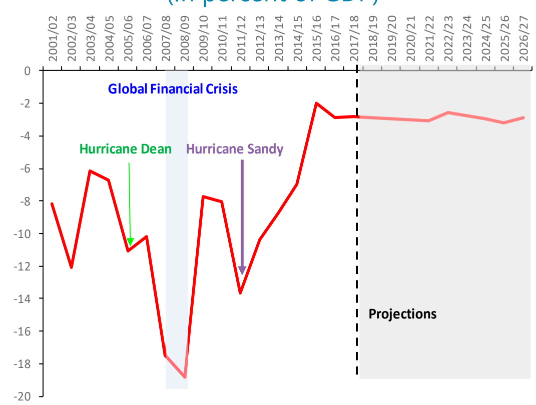
Jamaica's external position is in line with medium-term fundamentals and desirable policies. The net international investment position remains a vulnerability but its risks are mitigated by the nature of Jamaica's external liabilities (FDI and longer-maturity debt). International reserves accumulation is expected to reach 100 percent of the ARA metric by the end of the SBA and Jamaica's commitment to price stability, fiscal discipline, and structural reforms are steadily strengthening its external position.

A. Current Account

1. **Jamaica's current account deficit has narrowed over the past decade.** Jamaica's relatively narrow export base (food, bauxite, and tourism), reliance on fuel imports, and external market financing makes it vulnerable to global commodity and financial market conditions. During the run-up in the oil prices in 2007-08, Jamaica's current account deficit peaked at about 19 percent of GDP. Following Hurricane Sandy in 2012, productive capacity and tourism receipts reduced. Since then, Jamaica's current account deficit significantly narrowed to about 3 percent of GDP and is projected to stabilize at this level over the medium term, supported by favorable terms of trade—given lower oil prices—and rebound in the tourism sector which accounts for about 30 percent of GDP in 2016. The tourism sector in Jamaica is relatively competitive by regional standards given proximity to several U.S. cities and adequate airline service.[1]

Current Account Deficit

(In percent of GDP)



B. Net International Investment Position (NIIP)

2. **Jamaica's large negative NIIP is an important external vulnerability.** The current account deficit is financed mainly by FDI and external government borrowing, resulting in a large negative NIIP. The NIIP at end-2017 is estimated to be almost -150 percent of GDP, up from -130 percent of GDP in 2012. FDI, supported by tourism and bauxite investments, doubled in FY15/16 to reach about 7 percent of GDP; in FY16/17, it reached around 4.2 percent of GDP and is projected to stabilize at historical average of 4-5 percent of GDP in the medium term. Portfolio flows swung from an outflow of US$830 million in FY15/16 to about US$190 million in inflows in FY16/17. A bond issuance of US$1 billion in August of 2017, for debt management purposes related to buyback of international and domestic US$ bonds that mature in 2019-2025, led to a negative contribution of net official investment flows of about US$ 60 million in 2017/18. In this context, efforts to attract FDI and generate private sector-led growth will help reduce the dependence on external government

[1] A study of Caribbean tourism finds the impact of moderate natural disasters on tourists arrival not to be significant in Jamaica (*Unleashing Growth and Strengthening Resilience in the Caribbean*. Alleyne, et al., 2017).

borrowing. That said, the NIIP composition of buoyed FDI together with longer maturity of external liabilities are mitigating factors.

C. Exchange Rate Assessment

Table 1. Results of the Real Effective Exchange Rate Assessment for Jamaica Using EBA-lite Methodology (base year 2017)

	Current Account/GDP			Policy gap	2017 REER Over (+)/Under (-)	2016 REER Over (+)/Under (-)
	Norm	Underlying	Elasticity	(in percent of GDP)	Valuation	Valuation
External sustainability	-3.6	-3.0	-0.28	N.A.	-2.2	-5.1
External sustainability (target 2037)	-1.4	-3.0	-0.28	N.A.	5.4	6.0
External sustainability (target 2027)	2.2	-3.0	-0.28	N.A.	18.4	25.5
Current account balance	-5.5	-2.8	-0.28	1.4	-9.7	-7.6
Equilibrium real exchange rate	4.6	4.6	N.A.	-0.02	-2.0	17.0

Source: IMF staff estimates.

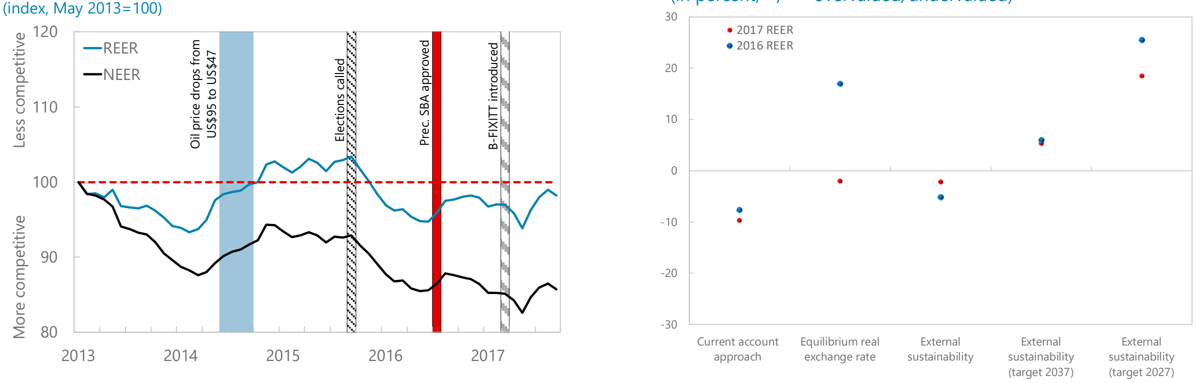
3. **Based on IMF's External Balance Approach-lite (EBA-lite), the exchange rate remains in line with medium term fundamentals and desirable policies**.

- **The external sustainability** (ES) approach compares the projected medium-term current account with the current account level that stabilizes the external position or the NIIP at a specified benchmark to ensure external sustainability. In the case of Jamaica, stabilizing the NIIP at 70 percent of GDP would require a current account deficit of at most 3.6 percent of GDP, larger than the underlying deficit of 3 percent of GDP. Based upon such a metric, this would indicate the external position is in line with medium term fundamentals and desirable policies.

Figure 1. Real and Nominal Effective Exchange Rates

Real and nominal exchange rates
(index, May 2013=100)

Real Effective Exchange Rate Assessment, 2016 and 2018
(in percent, +/- = overvalued/undervalued)

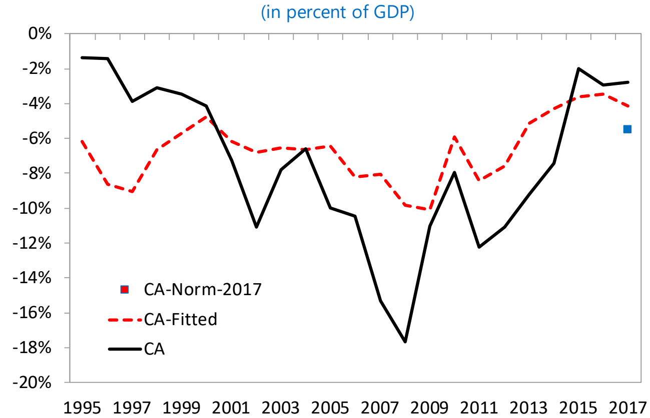


Sources: IMF staff calculations

Source: Jamaican authorities and Fund staff calculations.

- **The EBA-lite current account** (CA) approach points to undervaluation of the REER.[2] The CA norm is estimated to be -5.5 percent of GDP for 2017 with a CA gap of about 2.8 percent of GDP. Addressing Jamaica's fiscal imbalances and building foreign exchange reserves would close around 1.4 percent of GDP of the policy gap. However, the CA model has limitations in analyzing tourism-based economies and does not fully capture Jamaica's need to save externally to insure against the country's exposure to natural disasters. As such, staff judge the EBA-lite estimated CA norm is more negative than is appropriate for Jamaica's circumstances.

Current account balance approach
(in percent of GDP)



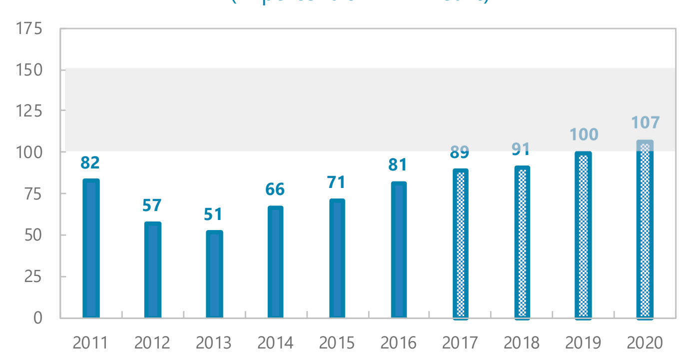
Sources: IMF Staff calculations

- **The EBA-lite real effective exchange rate** (REER) approach suggests that the external position is broadly in line with medium-term fundamentals and desirable policy settings.

D. Reserve Adequacy

4. **Jamaica's international reserves are below the suggested range by the [Fund's reserve adequacy metric](#).** The ARA metric suggests that reserves should be between 100 and 150 percent of the ARA metric, using the updated weight for the 'other liabilities' component. Jamaica's level of international reserves at end-2016 were about 81 percent of the ARA metric; it is projected to reach 100 percent by end-2019.

Jamaica: Gross International Reserves
(in percent of ARA metric)



E. Competitiveness Indicators

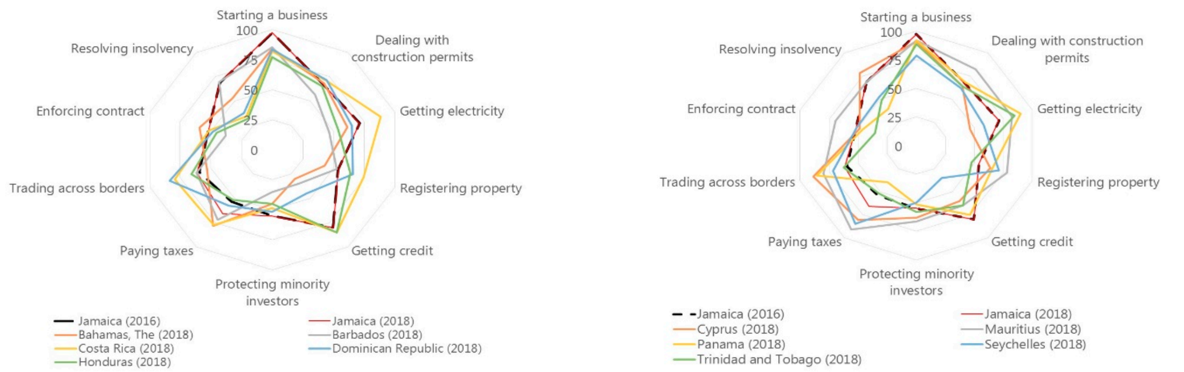
5. **Jamaica's competitiveness measured by the 2018 World Bank Ease of Doing Business (DB) slightly deteriorated**. The DB ranking measures a country's relative performance compared to

[2] The CA panel regression model includes variables that are grouped into three categories: (i) *policy variables* that can be directly affected by policy actions include fiscal balance, FX intervention, private credit and capital controls; (ii) *non-policy fundamentals* are generally slow-moving in the absence of structural reforms include NFA, productivity, oil and gas exports, demographic indicators, real GDP growth forecast, aid and remittances; and (iii) *cyclical factors* which capture the cyclical component in the current account include output gap and terms of trade. Limitations to this approach include absence of country-specific variables; additional temporary factors affecting the country; and some missing fundamentals.

all other countries in the world, so Jamaica's ranking fell as it failed to keep up with the rest of the world. Jamaica's overall ranking (among 190 economies) declined from 64 in 2016 to 70 in 2018,[3] but the distance to frontier (DTF), the measure of Jamaica's absolute level of performance, remained at 67.3 (on a scale of 0 to 100, 0 being worst performance). The DTF rating in 2018 rose significantly in three areas (starting a business, paying taxes, and trading across borders) and more modestly in four areas (dealing with construction permits, getting electricity, registering property and resolving insolvency). It remained nearly constant in two areas (getting credit and protecting minority investors) and slightly declined in one area (enforcing contracts). Jamaica is furthest from the frontier in contract enforcement, property registration and protecting minority investors, and lags behind comparator countries in paying taxes, trading across borders and getting electricity.

Figure 2. Ease of Doing Business

(distance to frontier)



Source: Doing Business 2018

[3] Care should be taken when comparing rankings across years since methodology changes can negatively affect the ranking of small states in the short term, possibly due to their limited capacity to quickly adapt to new criteria. The methodology updates can cause time-based assessments of a country ranking to be inconsistent since performance in the ranking from year to year may not be comparable

Annex V. Building Resilience to Floods, Droughts, and Disasters

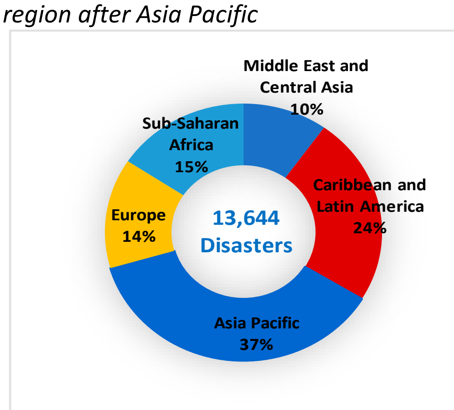
Jamaica's vulnerability to both extreme (hurricanes) and frequent less extreme (floods/drought) weather-related events takes an economic toll. Upgrades to institutions and infrastructure are urgently needed to help boost the agriculture sector's resilience and support growth and social outcomes. Given Jamaica's high climate vulnerability but resource constraints, a long-run strategy needs to increase risk management and mitigation efforts, and pre-finance the costs to the extent possible.

A. Jamaica's Vulnerability

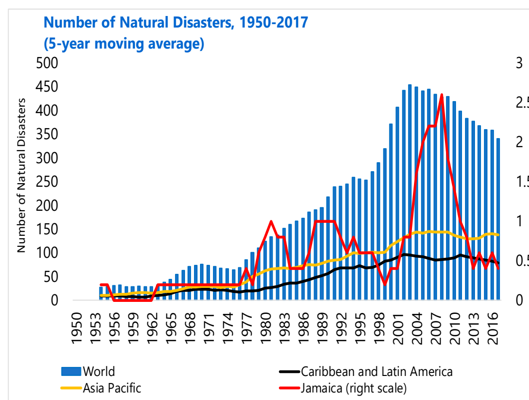
1. **Jamaica's exposure to natural disasters ranks in the top 20 globally, given its low-lying coastal zones, mountains, and five major fault lines.** The country has withstood about 40 disasters between 1950-2017, averaging about a disaster a year. Sixty percent of these were hurricanes and storms, and about a quarter of floods, droughts, and epidemics (Figure 1).

Figure 1. Jamaica: Exposure to Natural Disasters, 1950-2017

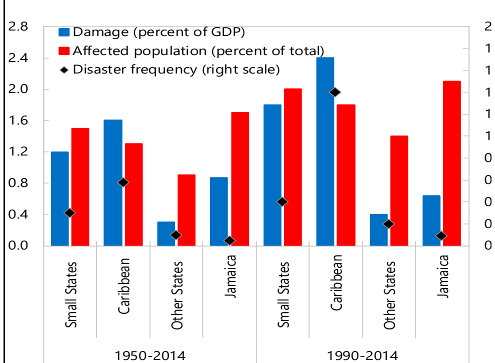
Jamaica is in the 2nd most vulnerable region after Asia Pacific



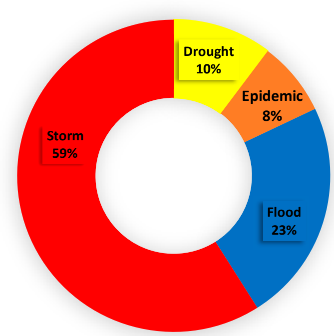
… experiencing higher frequency of disasters



… and more severe damages



…and high exposure to huricannes and flood



Source: EM-DAT database; WEO; WDI; and IMF staff calculations

2. **From 1990-2014, the annual damage from disasters in Jamaica averaged 0.6 percent of GDP compared to 0.4 percent of GDP for other countries (Table 1).** Hurricane Gilbert in 1988 resulted in about 30 percent of GDP damage; two consecutive hurricanes Charley and Ivan in 2004 caused a combined 9 percent of GDP damage.

Table 1. Average Annual Effects of Disasters[1]

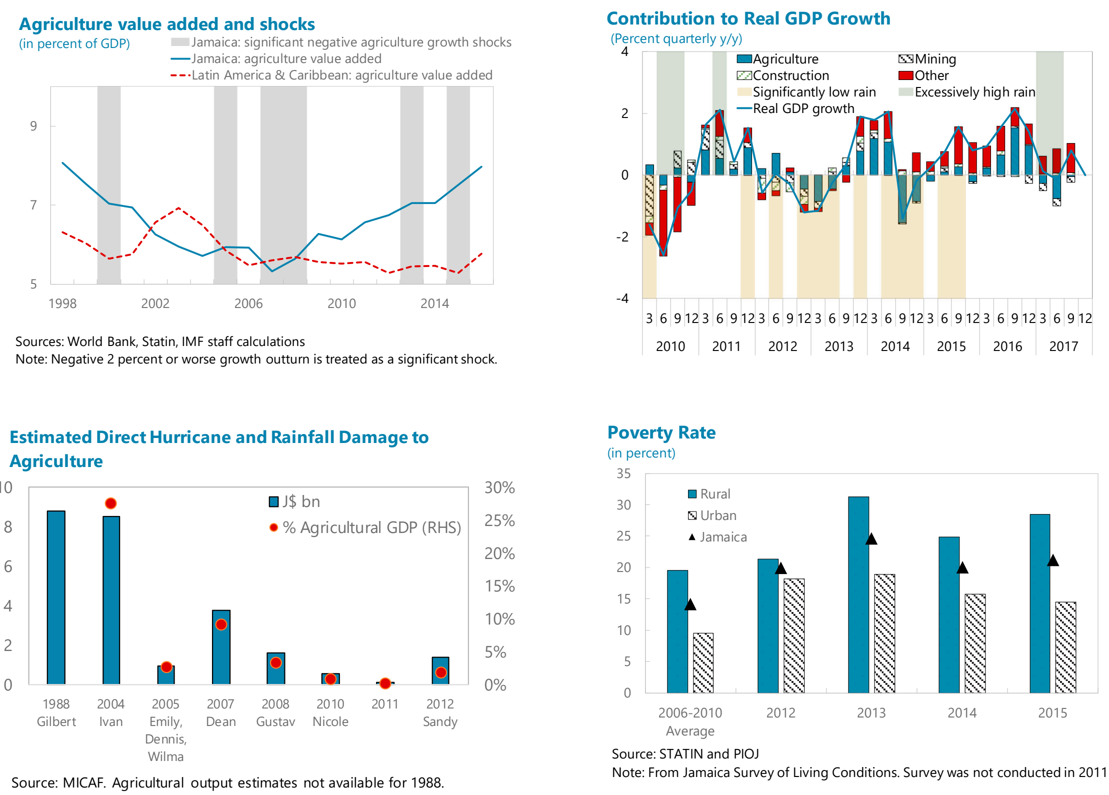
	1950-2014			1990-2014		
	Jamaica	Caribbean and Latin America	Other Countries	Jamaica	Caribbean and Latin America	Other Countries
Damages (% of GDP)	0.9	1.6	0.3	0.6	2.4	0.4
Affected population (% of total population)	1.7	1.3	0.9	2.0	1.8	1.4
Disaster frequency	0.1	0.6	0.1	0.1	1.4	0.2

1/ Average annual disaters per 1,000 m2. Note that the data prior to 1990s is hindered by significant underreporting.

Source: EM-DAT, WDI, IMF Staff Calcualtions.

3. **Meanwhile, floods, droughts, and disasters have severely impacted the agriculture sector, farmers' livelihood, and economic growth.** Share of agriculture in growth has been trending upward, but its contribution to economic growth has been closely tied to rainfall, with seemingly higher incidence of excess or shortfall in rain in more recent years. Performance of the agriculture sector has also been tied to higher poverty in agricultural communities in other countries—and Jamaica is no exception. For instance, persistent drought conditions prior to 2015 contributed to an increase in poverty in rural communities, which comprise about two thirds of the population.

Figure 2. Agriculture Value-Added

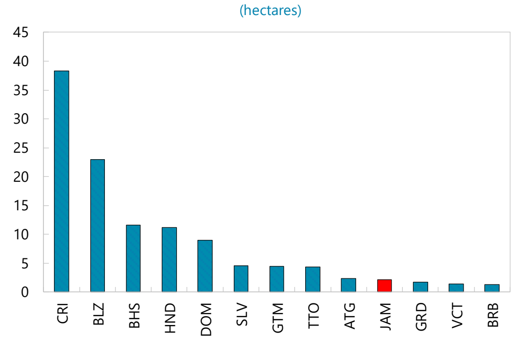


B. Impediments to Agricultural Growth

4. **Agriculture occupies 30 percent of Jamaica's land area and directly employs 15 percent of the labor force.** The sector is critical for Jamaica's growth, but several structural constraints hamper its contribution, including: (i) small and inefficient farms on low productivity lands, (ii) inadequate land titling, (iii) insufficient investment, and (iv) deforestation and destruction of watersheds. Specifically:

- Small parcels are an obstacle to mechanization and efficient land use. Jamaica's average parcel size is only about 2 hectares, much smaller than comparators. Also, majority of the land is used for subsistence farming and only 62 percent of all land in farming is active (i.e. allocated to crops and pasture). And finally, the small farms model complicates road and irrigation infrastructure provision and output distribution networks, raising production costs.

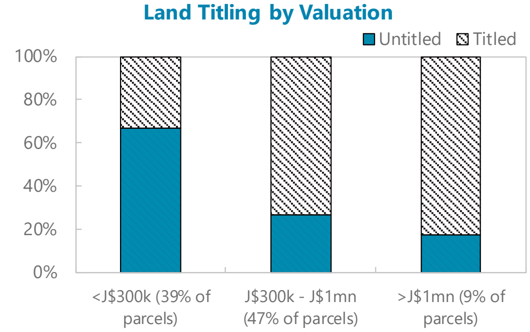
Average size of agriculture holdings
(hectares)



Source: FAO

- Nearly two-thirds of the smaller parcels of Jamaica's land are untitled, hampering small farmers' ability to obtain credit due to lack of collateral. Two main reasons hinder land titling: (i) high costs of title registration – including property transfer taxes and stamp duties, valuation reports, professional land survey, legal services, registration fees, and final title fee, and (ii) absence of proof of ownership due to lack of wills and emigration.

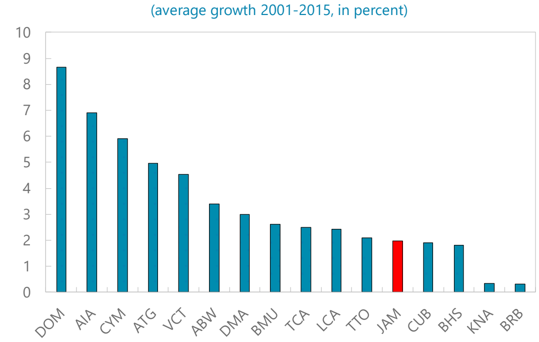
Land Titling by Valuation



Source: National Land Agency and IMF Staff Calculations.

- Moreover, inadequate private investment has stunted Jamaica's agricultural growth potential. Since 2001, the capital stock of agriculture sector has grown at a relatively slower pace. Despite more recent increases in agricultural credit growth, the historically low level of credit intermediation to the sector compounds the problem. Low investment has also resulted in reduced land productivity. While faring better than the rest of the Caribbean, Jamaica's crop yields have mostly stagnated since the 1990s.

Agriculture gross fixed capital
(average growth 2001-2015, in percent)

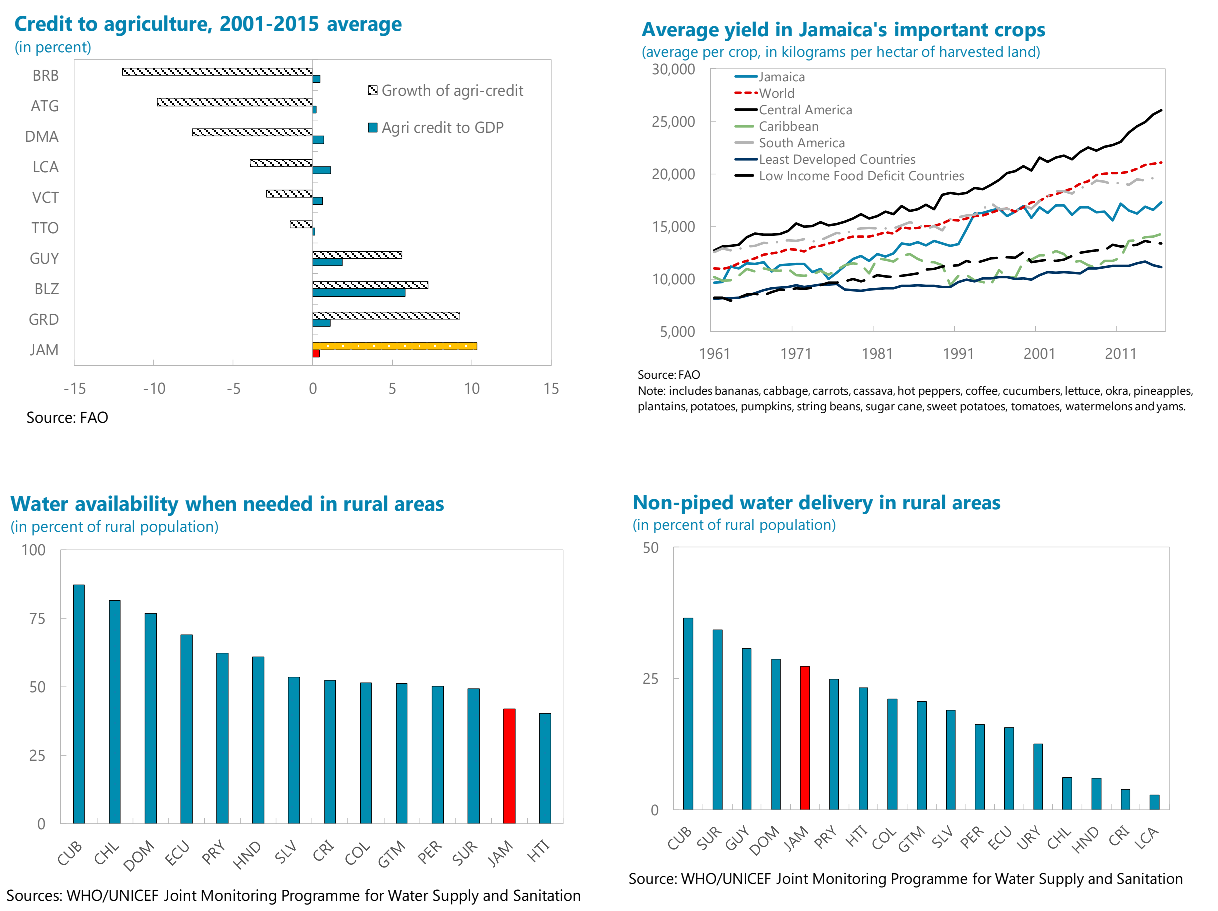


Source: FAO

- Poor access to water is an added constraint. Compared to a regional average of 40 percent, nearly 60 percent of Jamaica's rural population does not have timely water delivery, resulting in reliance on rainfall. Moreover, one in four rural households in Jamaica still relies on non-piped methods of water delivery such as ground water, or nearby water bodies.

- Relatedly, soil erosion and degradation of water retention capacity in watersheds have increased irrigation and piped water needs in some Jamaican communities while generating floods in others.

Figure 3. Jamaica: Impediments to Agriculture Growth



C. Building Agricultural Resilience

5. **Implementing risk management policies to adapt and mitigate the effects of changing weather patterns is critical for sustaining growth.** As the intensity and frequency of floods, droughts, and disasters increase, exploring financing options is crucial to reduce costs.

6. **Critical elements of a holistic approach to improve Jamaica's agricultural sector and build its resilience to the periodic episodes of floods and droughts include**: (i) investing in farm road networks, as well as water storage and irrigation systems for reliable access to water; (ii) boosting productivity through training and modernizing farming practices; (iii) improving access to finance, including by better land titling to support collateralization; (iv) developing a crop insurance program to protect farmers from weather-related losses; and (v) expanding soil conservation methods (e.g., intercropping agricultural crops and woody perennials), particularly among hill-side farmers due to the clearing of slopes for cultivation, to increase productivity while protecting the soil and safeguarding against floods.

7. **Solutions for a market-clearing mechanism are essential to reduce post-harvest crop and resulting monetary losses for farmers.** Options include (i) building post-harvest surplus storage facilities that can link agriculture with manufacturing/distribution, and (ii) leveraging the planned electronic Agri-linkages Exchange platform (ALEX), which is designed to strengthen the links between agriculture and tourism. Currently, the ALEX platform targets 200 farmers and 100 purchasing managers from the tourism sector, and links them through Agro-brokers utilizing a call-center business model. As the ALEX platform matures and gains traction, the number of farmers targeted for participation can be increased. Opening the ALEX platform for participation by purchasing managers from crop aggregators, food processing and distribution firms, can help increase the exposure of Jamaican farmers to the export market.

8. **Meanwhile, ongoing efforts to promote agriculture should be intensified.** For example, the Agro-Parks initiative of the GOJ which began in 2012 (with support from the European Union, the IADB, and the World Bank) was designed to promote intensive production in areas with strong infrastructure provision, enhance private investments, and improve economies of scale. While agro-parks are a step in the right direction, their impact remains limited. As of 2014, only 7 agro-parks were in operation on 1,011 acres (about 0.1 percent of all farm land) employing a little over 1,000 people. Authorities are targeting the conversion of 6,360 acres over the life of the program or a little under 1 percent of total farm area.

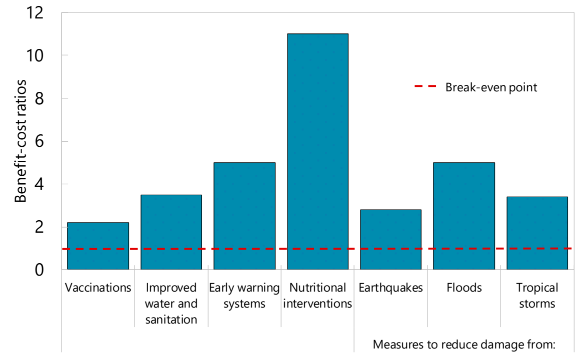
9. **Supported by an enabling economic environment for agriculture, private investment in the sector and associated credit growth should become more attractive.** In fact, maximizing gains from agriculture would require significant private sector investments to support domestic linkages with agriculture, supporting market clearance, and partnering with the government to increase provision of credit, working capital, and insurance.

D. Disaster Risk Management—A Longer Term Perspective

10. **Public expenditures on infrastructure disaster preparedness can generate significant returns.** Healy and Mulhotra (2009) estimate for the US that one dollar invested in disaster preparedness yields a reduction in damage of about $15.

11. **Under the December 2015 Paris Agreement, the Jamaican authorities took steps to strengthen the country's disaster risk management (DRM) and develop national strategies and policies to promote a more resilient economy.** The Disaster Risk Management Act (2015) is now the primary policy tool for DRM. In addition, Jamaica's National Development Plan Vision 2030 Jamaica (2009-2030) identifies risk reduction and adaptation to climate change and reduce vulnerabilities to natural disasters through Jamaica's Climate Change Policy Framework. The GOJ has established the Climate Change Focal Point Network comprising representatives from key ministries and agencies to strengthen and coordinate institutional capacity for vulnerability reduction, and facilitate a multi-sectoral approach to climate change.

Does it Pay to Prepare/Prevent?



Source: Reproduced from World Bank World Development Report, 2014.

E. Mitigation

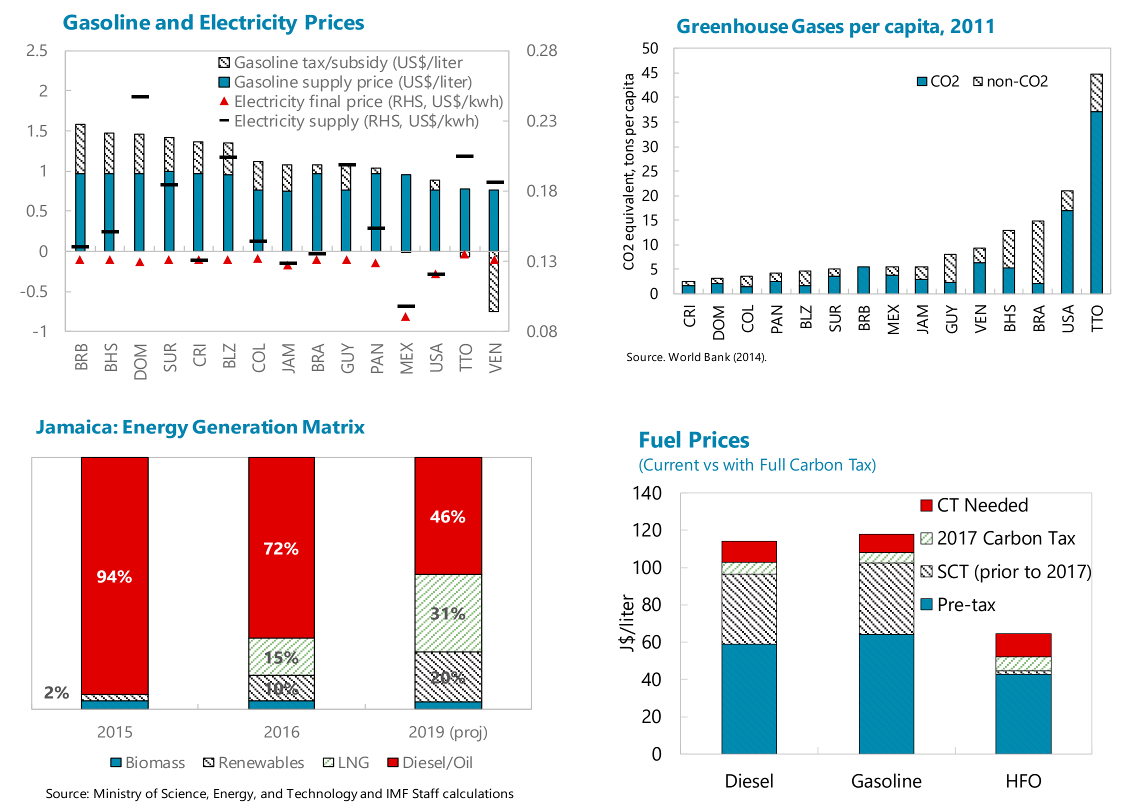
12. **Jamaica has made progress on environmental management, but challenges remain.** Energy prices in Jamaica are in line with the Latin American and Caribbean region, but do not account for externalities from greenhouse gas (GHG) emissions which are relatively high (compared to tourism peers); nearly half of the CO2 emissions come from heavy fuel oil (HFO) and diesel. Jamaica has made significant advances on both fronts.

- The 2017 carbon tax in Jamaica was a first step in addressing GHG emissions. The tax, through clear price signals, encourages investments in energy efficiency and lower carbon fuels, and discourages energy-consuming products. The tax, once fully implemented, will help Jamaica fulfil its emissions pledge by reducing GHGs by 7.8 percent below "business as usual" levels by 2025. While regulations and trading systems are alternatives to taxes, they are a partial solution since they capture only subset of emitters and are complex to administer.

- Jamaica leads the Caribbean in advancing substitution from oil to LNG. Starting from an energy matrix that was 94 percent dependent on Diesel/HFO, Jamaica is set to lower this ratio to under 50 percent after the conversion of the Bogue plant to LNG and the 190MW plant at Old Harbour. The proportion of LNG, which does not produce direct particulate emissions or sulfur dioxide emissions, is expected to reach about one-third of the matrix.

- Additional broadly revenue-neutral green tax possibilities include: (i) Replacing the current tax on engine size of imported vehicles with a revenue-neutral "feebate" that rewards fuel efficient vehicles (while taxing the others), and preserving revenues through an ad-valorem tax; (ii) Linking annual vehicle registration fees to their age, and including an ad-valorem component for equity; and (iii) Replacing the environmental protection levy by small increase in the GCT. A system of specific upfront charges on environmentally harmful products (e.g. Styrofoam) could be put in place, together with rebates to entities disposing these products.

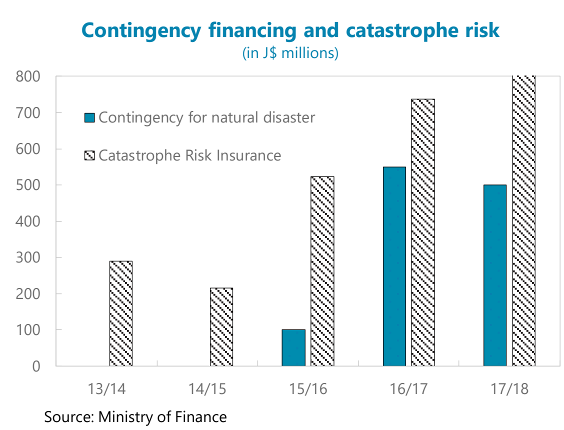
Figure 4. Electricity and Fuels



F. Financing Disaster Risk

Landscape in Jamaica

13. **Based on the World Bank's estimates in Options for a Disaster Risk Financing Strategy for Jamaica (2017), the GOJ's average cost per year to cover losses from hurricanes and floods is about US$121 million (J$15-16 billion or just under 1 percent of GDP).** Such vulnerability is a significant risk to the already high public debt (107 percent of GDP), since more debt would be incurred to finance the reconstruction and recovery.

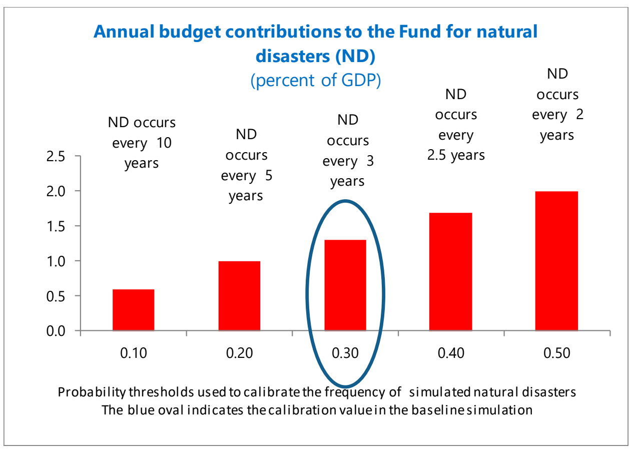


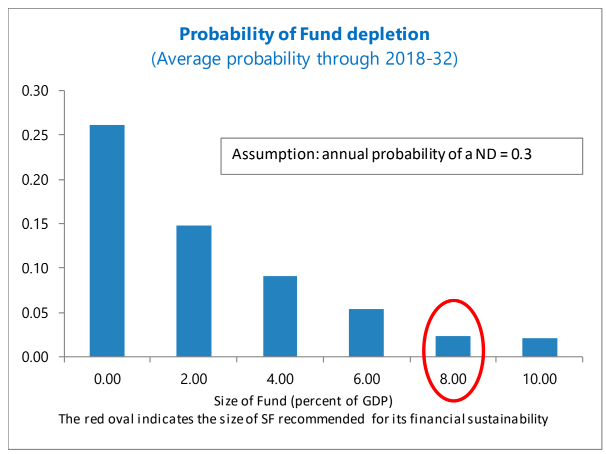
14. **Jamaica's current budget allocations and insurance cover for disaster financing is relatively small.** Budgetary disaster financing via the contingency fund for natural disasters has a limited capital of J$550 million. The GOJ is also a member of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which is a multi-country risk pool for catastrophe insurance. Jamaica's coverage under the CCRIF is limited;[1] based on the CCRIF's parametric triggers, Jamaica has not received any payouts from the facility (annual premium payments to CCRIF have averaged about J$530 million, and increasing over time).

Caribbean Country	Ceding percentage		
	Earthquake	Hurricane	Floods
Country A	24%	8%	0%
Country B	0%	0%	3%
Country C	37%	68%	26%
Country D	70%	22%	25%
Country E	0%	5%	5%
Country F	0%	77%	9%
Country G	17%	21%	5%
Country H	55%	12%	14%
Country I	47%	100%	9%
Country J	46%	21%	0%
Country K	60%	28%	2%
Country L	93%	8%	5%
Country M	16%	49%	57%
Country N	98%	98%	12%
Jamaica	45%	16%	12%
Average	**45%**	**40%**	**14%**

Source: CCRIF

15. **The size and annual budget contributions needed for creating a Savings Fund (SF) were simulated for Jamaica.** This was based on a Monte Carlo experiment which simulates potential future natural disasters, whose frequency and size were calibrated from historical data. The analysis indicates that an initial fund of 8 percent of GDP coupled with yearly budget savings of 1.3 percent of GDP would ensure the financial sustainability of the SF with low (under 5 percent) probability of depletion.





External Financing Landscape

16. **Currently, external financing for natural disasters is more oriented toward ex-post relief, although ex-ante financing is gearing up.**

- Out of the US$91 million or 2 percent of net Overseas Development Assistance (ODA) for disaster-related activities, only about 4 percent is devoted to disaster prevention and preparedness; the rest has been allocated to emergency response and reconstruction. That said, the precise flows are difficult to track and distinguish from broader climate finance.

[1] Ceding percentage is the share of losses a country has covered through CCRIF that lies between the attachment and exhaustion point of risk retention.

- Disaster risk reduction (DRR) is an evolving industry with a large amount of potentially available financing. The estimated global climate finance was about US$390 billion in 2014, with private sources forming a large chunk (US$243 billion). Investments financed from these sources are expected to support mitigation and adaptation to climate change. However, small states have, thus far, not had much success in accessing these resources given their cumbersome administrative procedures, including establishing eligibility criteria. As a result, access to cost effective external financing to invest in risk reduction, adaptation, and mitigation measures remains a challenge, particularly for small states with weak capacity.

- Among the multilaterals, the IADB and World Bank currently support projects to reduce risks from natural disasters. The IMF primarily provides post-disaster financing through its Rapid Credit Facility and Rapid Financing Instrument. While these instruments help meet urgent balance of payments needs, and may provide a catalytic role in mobilizing other external financing, the access limits to these IMF resources are constraining. The IMF continues to review its facilities on an ongoing basis to make improvements and adjust financing access based on the needs of its members.

- Jamaica could also explore scope for issuing bonds with financing terms tied to the incidence of natural disasters, including hurricane clauses which link debt service payments.

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Annex VI. Implementation of Advice in Last Article IV

Fiscal Policy Recommendations:

- Maintain tight fiscal stance to continue debt reduction.
- Shift burden away from direct taxation to encourage compliance and formalization.
- Multi-front reforms to strengthen revenue administration including putting in place a transfer pricing regime, preparing for the new Special Economic Zones, and passing the revised Customs Act.
- Improve public sector efficiency through divestments, shared corporate services, and addressing duplication and inefficiencies in government functions.

Outcomes: Fiscal discipline continues and debt is on a downward trajectory. Phases I and II of the revenue neutral PIT reforms shifting from direct to indirect taxation were completed. The transfer pricing regime has been rolled out (with support from FAD LTX). The SEZ authority has been established and a tripartite MOU is underway between the SEZA, the TAJ and JCA. The new Customs Act is expected to be tabled in parliament by March 2019. Several public bodies have been closed, merged, and reintegrated into central government; earmarked revenues from three entities have been directed into the Consolidated Fund.

Monetary and Exchange Rate Policies Recommendations:

- Monetary policy to be guided by price stability; eliminate multiple objectives.
- Strengthen BOJ's governance and operational autonomy.
- Maintain exchange rate flexibility.

Outcomes: Legislation to revise the BOJ Act is expected to be tabled in Parliament in October 2018. The reforms envisaged include: (i) clarifying BOJ's primary objective to be price stability; (ii) strengthening the BOJ's institutional independence and accountability; (iii) putting in place an effective Board decision-making structure; and (iv) restoring policy solvency of the central bank. FX sell-auctions have been rolled out and surrender requirements have been lowered as the BOJ continues to shrink its role in FX markets. Exchange rate flexibility continues, with FX intervention limited to periods of excessive volatility.

Financial Sector Recommendations:

- Continue to improve prudential regulations for retail repo industry.
- Strengthen debt management and continue to develop domestic debt markets.
- Reforming crisis management and resolution framework.
- Continue to address weaknesses in AML/CFT framework.

Outcomes: All securities dealers are compliant with the Master Retail Repo Agreements and remaining balance sheet risks are being addressed through a systemically safe level of retail repos and regulating the retail repo leverage ratio. Work is also underway to develop a liquidity ratio for the SDs. The GOJ continues to maintain a presence in domestic debt markets through regular small issuances. Recent opportunistic liability management operations have been successful. Work is ongoing on a new crisis resolution framework and on addressing some of the issues found in the AML/CFT Mutual Evaluation Report (both with LEG support).

Social Safety Net Recommendations:

- Increasing PATH benefits.
- Implementing the National Identification System (NIDS).

Outcomes: Total social spending increased by nearly 50 percent in the FY17/18 budget, allocated between PATH and the school feeding program. The implementation of the NIDS system is ongoing; its legislation has passed in parliament. The first wave is expected to commence in January 2019.

Structural Reforms to Support Growth Recommendations:

- Improve access to finance by examining banking sector competition, financial sector taxation, broadening of financial services (e.g. to leasing and factoring, acceptance of movable collateral), and expanding the junior stock exchange without resorting to tax incentives.
- Diversify the energy generation matrix.
- Privatize the Norman Manley International Airport and finalizing concession of the Kingston Container Terminal.
- Improve road infrastructure and continue work on the logistics hub initiative.

Outcomes: A consultant is being sought for a banking competition study, financed by the World Bank. Work on alternative financing products is also ongoing with World Bank support. Tax incentives for the junior stock exchange were extended, against Fund advice. Reforming financial sector taxation remains under consideration for the medium-term, depending on revenue performance. The Bogue power plant has been converted to LNG and a 190 MW LNG plant in Old Harbour is expected to come online in 2019. The concession of the Kingston Container Terminal has been concluded and the privatization of the Norman Manley International airport is entering its final bidding phase. Work continues on improving the road infrastructure but farm roads still need a lot of attention. Progress on the logistics hub initiative is ongoing but slow.

Appendix I. Letter of Intent

Kingston, Jamaica
March 22, 2018

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

Dear Ms. Lagarde,

The Government of Jamaica has made major strides in advancing its economic reforms, supported by the 3-year precautionary Stand-By Arrangement. We are pleased to report that for the review period ending December 2017, all quantitative performance criteria and all the structural benchmarks have been met. We remain committed to achieving the 60 percent of GDP debt target by FY25/26, as mandated by our Fiscal Responsibility Law. Important institutional reforms are underway, including modernization of the Bank of Jamaica and development of the foreign exchange market. We also remain committed to exchange rate flexibility and achieving external sustainability by the end of the programme.

The macroeconomic stability and robust job creation achieved from sustained reforms have not yet translated into higher economic growth. Crime remains a serious concern and repeated adverse weather shocks continue to impact our farmers. Going forward, we are committed to improving our rural infrastructure and strengthening resilience of the agriculture sector. We will also continue to increase support for our most vulnerable citizens, with the aim to reduce poverty and inequality.

We have tabled the FY18/19 budget, targeting a 7 percent or more of GDP primary surplus for the sixth consecutive year. Consistent with our policy priorities, and building on a stronger revenue base supported by revenue administration reforms, we have increased the budget allocation to social and growth-enhancing spending, including on rural infrastructure, national security, PATH benefits, and training programs.

As we enter the second half of the Stand-By Arrangement, we will, in consultation with labour unions and other stakeholders, conduct an overhaul of public sector employment and compensation structure, as we seek to improve public service delivery and durably contain the wage bill. Such an overhaul will aim to create a standardized compensation structure that rewards performance and encourages excellence, streamline allowances and employment groups, and implement technology for better monitoring and control of wage spending.

The attached Memorandum of Economic and Financial Policies provides an update to our policy plans and priorities. The Government of Jamaica believes that the policies set forth therein are adequate to achieve the objectives of its programme. We stand ready to take any additional measures that may become appropriate. 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 combined third review under the SBA and 2018 Article IV Consultation 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 (Update)[1]

1. Our focus remains to increase growth and resilience and raise the living standards of all Jamaicans. Tackling crime is central to our socio-economic reform, as we strive to ensure a secure environment for our citizens and businesses. We also recognize the vulnerability of the agriculture sector to weather swings, as evidenced by the impact of drought and floods last year. To counter these vulnerabilities, we will make every effort to improve rural infrastructure to support our farmers.

Tackling Crime

2. The only way to secure a better future for the Jamaican people and sustain higher economic growth is by decisively tackling crime. To achieve this, the Government of Jamaica is taking various measures to address violent crime, including through Zones of Special Operations (ZOSOs). Deeper structural and institutional issues also need to be addressed, including legislative and regulatory reforms, capacity development of national security and justice institutions, transformation of the Jamaica Constabulary Force into a modern police led service, application of technology, strengthening border security and undertaking social and community development. We are also prioritizing resource allocation into crime reduction and prevention through a J$7 billion increase in the capital budget for the Ministry of National Security.

The FY2018/19 Budget

3. The budget continues to target a central government primary surplus of 7 percent of GDP for FY18/19. This is consistent with our objective in the Fiscal Responsibility Law to reduce public debt to at most 60 percent of GDP by FY25/26.

4. The budget prioritizes spending to support growth. Capital spending has been increased by J$14.7 billion (0.6 percentage point of GDP increase), with a significant focus on crime and citizen security. In addition, an allocation of J$5.0 billion has been made for the special early retirement programme, while J$33.4 billion has been included in contingencies for the potential buy-back of Venezuela's stake in Petrojam and central bank recapitalization.

Sustained Wage Bill Reduction

5. The Government has reached a four-year wage settlement with unions representing 49 percent of central government workers. We remain committed to achieving the 9 percent of GDP wage bill target by March 2019, consistent with the Fiscal Responsibility Law. We, therefore, stand ready to roll out additional measures to curb wage costs in FY18/19, depending on the final gains from the Special Early Retirement Programme. During the 4-year wage settlement period, we

[1] This Memorandum of Economic and Financial Policies updates measures undertaken and/or committed to since the second SBA review (IMF Report No. 17/329). The Government of Jamaica's full commitments under the SBA are in IMF Report No. 17/98.

will address the underlying structural problems of the wage bill by developing a new compensation structure for the public sector and rethinking the composition and size of the workforce. Considerations will include (1) adopting a new compensation policy and structure which, inter alia, streamlines the allowances structure including reducing their number, ensures a more equitable distribution of salary and benefits, and rewards workers based on their performance; and (2) prioritizing government functions, while concurrently moving to right-sizing the workforce, and implementing technology upgrades.

Bolstering Resilience in Agriculture

6. The repeated impact of floods and drought on agriculture highlights Jamaica's vulnerability to weather swings. We intend to increase investment in irrigation and improve farm roads with J$1.3 billion allocated for these areas in the FY18/19 budget. We will consider options for a market-clearing mechanism to reduce post-harvest crop losses, including by investing in surplus storage facilities to link agriculture with manufacturing/distribution. We will also put a renewed emphasis on land titling to improve access to credit.

Towards A More Modern Central Bank

7. We are on track to further modernize Bank of Jamaica's monetary policy framework, including by amending the BOJ Act to make price stability its central mandate, reform the BOJ's governance and accountability structure, and strengthen the BOJ's balance sheet. On 13 February 2018, BOJ published its first pre-announced 12-month calendar of monetary policy decisions. Going forward, the calendar will be updated semi-annually for the 12 subsequent months, in keeping with the goal of improving the transparency of monetary policy. To further advance this objective the Bank will develop a comprehensive communication strategy spanning regular press releases and briefings to ensure clarity on BOJ's policy decisions.

8. The BOJ is resolved to steer closer towards the medium-term inflation target. To this end, we are narrowing the monetary policy consultation clause (MPCC) from ±2.5 percent around 5 percent inflation to ±1.5 percent in 2018 and ±1 percent in 2019. The latter will fully coincide with BOJ's medium-term inflation target of 4-6 percent.

9. Meanwhile, the BOJ continues, in consultation with the Fund, to introduce measures to further develop the FX market by gradually reducing the surrender requirements, introducing FX buy auctions and maintaining market transparency. FX Net Open Position limits, which will be monitored on a continuous basis, were introduced, effective March 2018. The BOJ will develop and introduce a code of conduct for the FX market, covering dealers and cambios, based on international best practices. The BOJ will continue to upgrade its market intelligence and also explore the feasibility of market-based development of FX hedging instruments. We remain committed to exchange rate flexibility and will continue to limit FX market sales to smoothing excess volatility and countering disorderly market conditions.

Further Strengthening the Financial Sector

10. We remain on track to submit legislation to Parliament for a new special resolution regime for financial institutions by January 2019. Meanwhile, the work toward the Financial Sector Assessment Program (FSAP) has begun. The FSAP will assess the soundness of our financial sector, taking stock of the significant reforms, and making recommendations on what additional steps would support financial deepening and systemic stability.

Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies[1]

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
Tax Policy				
Financial sector taxes	Develop recommendations, with IMF support, to 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				
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		Completed for merger of legal, internal audit and recruitment functions.
	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	Completed
Ongoing entities	Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	Oct-17	Yes	Completed
Merger	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	Completed
	Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	Oct-17	Yes	Completed
Closure and re-integration	Complete (i) the merger of LAMP and the National Land Agency, (ii) the operational merger of the Real Estate Board, the Commission of Strata Corporations, Registrar of Timeshare, (iii) the closure of the Audit Commission and integration of its functions into MOFPS, and (iv) the integration of the Management Authority of Plant Genetic Resources for Food and Agriculture into MICAF.	Apr-18		

[1]This updated policy matrix highlights measures undertaken and/or committed since the second SBA review in September 2017. IMF Report No. 17/329 provides measures completed between the first SBA review in February 2017 and the second review.

	(i) Reintegrate the National Council on Drug Abuse in to the Ministry of Health, (ii) wind-up the Toll Authority, (iii) reintegrate the Legal Aid Council into the Ministry of Justice, (iv) close the National Family Planning Board and fold its functions into the Ministry of Health, (v) close the River Rafting Authority and fold its functions into the Jamaica Tourist Board, and (vi) merge the functions of the Port Authority Management Services into the Transport Authority.	Oct-18		
	Complete all necessary legal changes to reintegrate PCDF into central government.	Mar-19		
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	Ongoing
Public Service Reform				
Retirement	Create a registry of participants in the early retirement programme.	Mar-18		
Wage bill (pay structure and workforce)	Conduct consultations on scope for standardizing public sector pay scales across all MDAs.	Jan-18		Not completed; delays due to ongoing wage negotiations with unions
	Submit to Cabinet the final Performance Management Mechanism to include standards of performance and an aligned reward system.	Dec-18		
	Update data on compensation, employment and cadre from all public sector entities in ECensus on a quarterly basis. Data on payroll will be sent to the PSTIU on a quarterly basis.	Oct-18		
	Submit to Cabinet completed standardized salary scales with an implementation plan for approval.	Sep-19		
HCMES	Complete roll-out of the human resources software (HCMES) for 14 entities.	Dec-18		
Revenue Administration				
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		On track for completion by target date. Comprehensive audits below target.
Transfer pricing	Develop framework for Country by Country Reporting (CBCR) including tabling in Parliament the necessary legislative amendments to the Income Tax Act and Revenue Administration Act.	May-18		On track for completion by target date
Client Services	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		Completed
	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		Completed

Business process	Submit new organizational structure, including headquarters operations and objections unit, for MOFPS approval.	Sep-17		Completed
Tax arrears	Implement a 70 percent reduction in the stock of tax arrears for government entities vis-à-vis the end-December 2017 stock.	May-19		
Organizational Framework	By September 2018, (i) reorganize the LTO within the context of TAJ-SARA, and (ii) implement revised centralized organizational and reporting arrangements in the objections unit, in line with CARTAC advice.	Sep-18		
Post-Clearance Audit	By March 2018, 50 percent of Post Clearance Audits will be identified by a risk management system.	Mar-18		Completed
Trade facilitation	Submit a Bill to repeal and replace the Customs Act to Parliament.	Mar-18		Target delayed to March 2019
Interagency Coordination	Develop a tripartite MOU between the Jamaica SEZ Authority, TAJ, and JCA to facilitate alignment in the application of, and compliance with, the SEZ Act and Regulations.	Apr-18		On track for completion by target date
	Conduct a detailed joint TAJ/JCA risk assessment for the Special Consumption Tax (SCT)/Excise and implement findings to ensure that all goods subject to SCT/Excises are covered by one of the two agencies	Oct-18		
SEZs	Complete an inventory of all entities currently in Export Free Zones and Special Economic Zones, with data on their employment levels.	Sep-18		
Public Financial Management				
TSA Expansion	Following the soft-launch of web-enabled FinMan, roll out the system to 90 percent of entities by March 2019.	Mar-19		
	Finish contracting for the revenue management module (RMM).	Mar-18		On track for completion by target date
PFM and JIFMIS reforms	Submit to Cabinet the JIFMIS Policy for the Government of Jamaica that details the charter of the JIFMIS Steering Committee and implementation schedule to ensure widespread ownership and buy-in of the sequencing of JIFMIS reforms.	Jan-18		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		3 positions completed
Procurement	On-board an additional 12 Procuring Entities to the electronic government procurement system by the end of FY17/18.	Mar-18		Completed
	Complete the development of training materials for procurement training at the procurement faculty at MIND.	Jan-18		Completed
Debt Management				
Capacity	Reduce operational risk by ensuring adequate staffing of the Debt Management Branch (DMB)'s middle office.	Jun-17		3 positions completed
Market development	Review and complete the upgrading of the primary dealer (PD) system with respect to primary dealer commitments and privileges in GOJ bonds to incentivize market making.	Jun-18		

	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, with roll-out of upgraded central securities depository by June 2018.	Jun-18		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.	Oct-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 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.	Oct-17		Target delayed. 5 positions to be completed by March 2018.
	Complete the two-stage procurement process for acquiring a National Identification System Solution for Jamaica.	Mar-18		Target delayed to August 2018 to include review of security provisions
	Establish committee to guide and monitor the transformation of the Registrar General's Department (RGD) and the establishment of the National Identification and Registration Authority (NIRA).	Jun-18		
PATH graduation	Complete the reapplication for PATH families who first enrolled in PATH between 2002-2013.	Mar-19		
Monetary Policy				
BOJ Act	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.	Oct-18	Yes (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		
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 on a semi-annual basis, commencing end-June, 2017. Additionally, 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-October 2017, how to implement suitable indicators. In the meantime, the FSC will continue to undertake monthly monitoring of the RRLR.	Oct-17		Completed
	The FSC to complete a study on the appropriate definition and level of the liquidity ratio.	Oct-17		Completed
	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		Completed
Crisis resolution	Prepare drafting instructions for the CPC, based on the draft legislation, incorporating revisions from public consultation and feedback received on the cabinet proposal.	Feb-18		Completed for administrative component
	Submit legislation to Parliament for a Special Resolution Regime (crisis resolution) for financial institutions, including a modified insolvency regime.	Jan-19		On track for completion by target date
Financial inclusion	Table a Micro Credit Act in Parliament.	Feb-18		Target delayed to May 2018
	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		On track for completion by target date
Deposit insurance and investor compensation	Legislation to amend the Cooperative Societies Act (CSA), accompanied by the legislative proposals for the prudential regulatory regime for credit unions, will be tabled in Parliament by April 2018.	Apr-18		On track for completion by target date
	We will take steps to further strengthen investor compensation across financial institutions. We will update the Proposal for the Establishment of Compensation Schemes for non-DTIs by June 2018.	Jun-18		
Economic Growth Council Recommendations				
Citizen Security and Public Safety	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 February 2018.	Feb-18		Target delayed to April 2018
	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	Oct-17		Completed

	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.			
	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.	Mar-18		On track for completion by target date
	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		Completed
	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 neighborhoods.	Oct-17		Completed with delay
Access to finance	Submit to Cabinet proposals for a revised investment framework for Pension Funds to include: (i) investment regulations; (ii) risk management guidelines; (iii) supervisory arrangements; and (iv) data reporting requirements.	Jun-18		On track for completion by target date
	Complete a study on banking competition.	Oct-18		Target delayed to December 2018
	Issue 4,000 new land titles for unregistered parcels under new pilot project.	Mar-19		
Business climate and red-tape	Table in Parliament Regulations and amendments to the Public Procurement Act and finalize the Handbook of Public Sector Procurement Procedures.	Mar-18		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 June 2018.	Jun-18		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	May-18		Target date for (ii) delayed to June 2018

	Module II in 3 Local Authorities by March 2018; (iii) Complete upgrade of infrastructure of eight Local Authorities (LAs) by May 2018.			
	Improve the predictability of the development approval process through the development of a framework for standard fees to be charged for development approvals.	Dec-18		
Asset utilization	Submit to cabinet plan to divest up to 20% of assets held by the UDC and Factories Corporation of Jamaica.	Nov-17		Completed

Table 1. Jamaica: Schedule of Reviews and Purchases

Available on or after	Amount of Purchase: SDR millions	Amount of Purchase: % Quota	Conditions 1/
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)

	2017					2018					2019
	Indicative Target	Actual	Performance Criteria	Adj. Performance Criteria	Actual	Indicative Target	Performance Criteria	Proposed Revised Performance Criteria	Indicative Target	Proposed Performance Criteria	Indicative Target
	end-September		end-December			end-March	end-June		end-Sep	end-December	end-March
Fiscal targets											
Performance Criteria											
1. Primary balance of the central government (floor) 3/	37.0	62.3	59.0		96.5	132.0	18.0	18.0	44.0	68.0	140.2
2. Overall balance of the public sector (floor) 3/	-36.9	8.0	-44.3	-48.7	1.5	-14.8	-25.0	-25.0	-39.2	-41.1	-14.7
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0	-4.5	0.0		-7.2	0.0	0.0	0.0	0.0	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	-0.6	0.0		-0.6	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	-11.4	0.0		-12.3	0.0	0.0	0.0	0.0	0.0	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets											
7. Tax revenues of the central government (floor) 3/	215.0	237.6	328.0		353.1	473.0	110.0	110.0	234.0	360.0	516.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	2.0	-1.0	3.5	7.9	-0.1	11.5	13.0	16.8	17.2	18.0	20.0
9. Central government spending on social programs (floor) 3/ 7/	11.2	16.4	18.3		22.1	26.6	6.4	6.4	11.9	19.4	28.2
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	1.1	3.0		1.3	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/	1,637	2,377	1,777	1,781	2,534	1,917	1,978	2,075	2,140	2,200	2,300
12. *Monetary policy consultation clause (in percent)*											
Upper band	8.5		8.5			7.5	7.5	6.5	6.5	6.5	6.0
Center inflation target	5.0	4.6	5.0		5.2	5.0	5.0	5.0	5.0	5.0	5.0
Lower band	1.5		1.5			2.5	2.5	3.5	3.5	3.5	4.0

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	Met
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	Met
6	Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Met
7	Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Met
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.	October 31, 2018	
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 dabase for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	Met
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	Met
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	Met
12	Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	Met
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	Met
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	Met
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	Met
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	Met
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	Met
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	Met
19	Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Met
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	Met
21	Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Met
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	Met
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	

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.

Table 1. Program Exchange Rates (End-August, 2016) /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

10. **Adjuster for loan to Petroleum Corporation of Jamaica:** 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 imputed principal and shortfall in interest repayments due (relative to Table 3), converted at programme exchange rates.

Table 3. Imputed repayment schedule

Cumulative repayment flows to central government from beginning of each fiscal year (US$ millions)	
end-June 2018	1.13
end-December 2018	7.19
end-June 2019	7.08

B. Cumulative Floor on Overall Balance of the Public Sector

11. **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).

12. **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.

13. **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; Clarendon Alumina Production Limited; Coconut 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 Agricultural Commodities Regulatory Authority; Jamaica Bauxite Institute; Jamaica Bauxite Mining; 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; Runaway Bay Water Company Limited; SCJ Holdings Limited; Spectrum Management Authority; Sports Development Foundation; St Ann Development Company Limited; Student Loan Bureau; Sugar Industry Authority; Transport Authority; Universal Service Fund; Urban Development Corporation; Wigton Windfarms Limited.

14. **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.

15. **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.**

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

17. **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 4), with the value of the adjustment at the end of any quarter capped at US$35 million, converted at the programme exchange rates.

Table 4. Overall Balance of Petrojam
(Baseline Projection)

	In billions of J$
end-June 2018	-31.0
End-September 2018	-42.3
end-December 2018	-31.7

C. Ceiling on Net Increase in Central Government Guaranteed Debt

18. **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.

19. **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

20. **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.

21. **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

22. **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 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.

23. **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, taking into account the grace periods specified in contractual agreements; and for the public bodies listed in paragraph 24, such obligations that have not been paid within 30 days after the contractual due date (taking into account any contractual grace periods). 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.

24. **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

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

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.

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

F. Ceiling on Central Government Accumulation of Tax Refund Arrears

26. **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.

27. **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

28. **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.

29. **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.

30. **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.

Table 5. External Program Disbursements (Baseline Projection)

Cumulative flows from end-March 2016	(In millions of US$)
External loans from multilateral sources	
End-March 2018	252
End-June 2018	307
Budget support grants	
End-March 2018	15.0
End-June 2018	18.7
Commercial loans guaranteed by multilateral sources	
End-March 2018	0.0
End-June 2018	0.0

31. **Reporting:** Data will be provided by the BOJ to the Fund with a lag of no more than 10 days past the test date.

32. **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 5. 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 and loan disbursements to the central government that are purchased by or deposited at the BOJ, relative to the baseline projection reported in Table 4.

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

33. The performance criterion on the introduction or modification of multiple currency practices (MCP) will continue to exclude the ongoing implementation or modifications in 2018 of the multiple-price foreign exchange auction system, developed in line with Fund staff advice, that give rise to a MCP.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

I. Cumulative Floor on Central Government Tax Revenues

34. **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).

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

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

36. **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.

37. 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.

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

39. **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.

40. **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.

K. Floor on Central Government Spending on Social Programmes

41. **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.

42. **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*.

43. **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.

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

L. Ceiling on User-Funded PPPs

45. **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).

46. 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 FY18/19 budget. For FY2018/19, the projected nominal GDP used as a reference is J$2,018 billion, as presented in Table 2H, Macroeconomic Framework, of the FY18/19 Fiscal Policy Paper.

47. **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

M. Monetary Policy Consultation Clause

48. **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).

49. **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.

50. Breaching the inflation consultation band limits (as specified in the TMU, Table 6) 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.

Table 6. Inflation Consultation Band

	2017		2018				2019	
	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
Upper band	8.5	8.5	7.5	6.5	6.5	6.5	6.0	6.0
Center point	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Lower band	1.5	1.5	2.5	3.5	3.5	3.5	4.0	4.0

IV. CONDITIONALITY ON PUBLIC BODIES' DOMESTIC ARREARS

51. **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.

52. **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.

53. **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

54. **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); and (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.

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

- Financial statements of core securities dealers and insurance companies within six weeks of month end.
- 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.

INTERNATIONAL MONETARY FUND

JAMAICA

March 27, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE STAND-BY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of February 28, 2018)

Membership Status: Joined: February 21, 1963, Article VIII

General Resources Account:	**SDR Million**	**% Quota**
Quota	382.90	100.00
Fund holdings of currency	902.93	235.81
Reserve tranche position	27.35	7.14

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	261.64	100.00
Holdings	161.01	61.54

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
Extended Arrangements	547.33	142.94

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
SBA	Nov 11, 2016	Nov 10, 2019	1,195.30	0.00
EFF	May 1, 2013	Apr 30, 2017	615.38	558.73
Stand-By	Feb. 4, 2010	May 3, 2012	820.50	541.80
EFF	Dec. 11, 1992	Mar. 16, 1996	109.13	77.75
Stand-By	Jun. 28, 1991	Sep. 30, 1992	43.65	43.65

Projected Payments to Fund[1]:

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2018	**2019**	**2020**	**2021**	**2022**
Principal	37.11	64.80	83.68	93.12	93.12
Charges/Interest	7.96	9.89	8.64	7.05	5.35
Total	**45.07**	**74.69**	**92.32**	**100.17**	**98.47**

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements:

Jamaica's de facto exchange rate regime is classified as "crawl-like", based on a standardized classification methodology, and de jure as floating. The external value of the Jamaican dollar has been determined in an interbank market operated by commercial banks beginning September 17, 1990. The Jamaican dollar has depreciated significantly since that time. At March 7, 2018 it was trading at around J$128.7 to the U.S. dollar. Jamaica has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement. Jamaica does not maintain exchange restrictions on the making of payments and transfers for current international transactions, subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement. However, Jamaica maintains a multiple currency practice, subject to Fund approval under Article VIII, Section 3, last approved by the Executive Board on October 23, 2017, (Decision No. 16265-(17/84)), due to the absence of a mechanism in the multiple price foreign currency auction to prevent exchange rates of accepted bids from deviating by more than 2 percent.

Last Article IV Consultation and Program Relations:

Jamaica three-year, SDR 1,195.3 million (312 percent of quota) precautionary Stand-by arrangement was approved by the IMF Executive Board on November 11, 2016, and the two reviews under the program were completed on schedule. The last Article IV consultation was completed by the Executive Board in June 2016.

A safeguards assessment of the Bank of Jamaica (BoJ) was updated in 2017, with respect to Jamaica's SBA. The assessment found that the bank has relatively strong safeguards in place, particularly in the financial reporting and audit mechanisms. Annual financial statements continue to be prepared and audited in accordance with international standards. The assessment found a need to further strengthen governance arrangements at the BoJ including through amendments to

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

certain legal provisions in the BoJ Act. Consistent with the safeguards assessment recommendations, the government and the BoJ are preparing for an overhaul of the BOJ Act taking into account the safeguard assessment and TA recommendations, with a planned submission to Parliament in October 2018.

Technical Assistance (since 2010):

Department	Dates	Purpose
FAD	January 2018	International Taxation
	January 2018	Revenue Administration – taking stock and next steps
	July 2017	Public Bodies Reform Action Plan
	April 2017	Organizational Restructuring of Ministry of Finance
	December 2016	Property Tax
	Nov 2016-December 2016	Treasury Single Account and Review of Financial Management
	July 2016	Tax Reform follow-up
	June 2016-July 2016	Social Protection Reform
	October 2015	Treasury Restructuring
	October 2015	TADAT diagnostic assessment
	Sep 2015 – October 2015	Public Bodies Reform
	September 2015	Tax Reform and Tax Expenditures
	April 2015	Public-Private Partnerships (PPPs) and Fiscal Risks Workshop
	April 2015	Rationalizing the Government Wage Bill
	July 2014	Cash and Debt Management
	January–February 2014	Revenue Administration
	January 2014	Implementation of a Fiscal Rule
	July 2013	Conceptual Framework for Fiscal Rule
	July 2012	Options for Expenditure Rationalization
	July 2012	Customs and Tax Administration (Risk)
LEG/MCM	July 2017	Central Bank Governance Reform
	July 2017	Resolution Framework for Banks
	December 2015	Resolution Framework for Banks and Securities Dealers
	June 2015	Resolution Framework for Securities Dealers
	June 2013–August 2015	Reforming Retail Repo Business Model of Securities Dealers
	August 2010–May 2014	HQ-based support for Omnibus Banking Bill
	April 2011	Financial Stability Framework
	July 2010	Unlawful Financial Institutions
MCM	July 2017-March 2018	Pension Fund Stress Tests and Indicators (CARTAC)

	September 2017	Bank Financial Analysis (CARTAC)
	April-August 2017	Foreign Exchange Operations
	July 2017	Macro Prudential Framework and Toolkit (CARTAC)
	June 2017	Non-Bank Regulation and Supervision
	May 2017	Primary Dealer System Reforms
	January 2017	Bank Restructuring and Crisis Management
	August 2016-October 2016	Liability Management
	June 2016-October 2017	Central Bank Modelling and Forecasting
	May 2016-March2017	Strengthening Securities Supervision
	February 2016-March 2018	Supervisory Framework for SDs and Insurance
	December 2016	Risk Based Supervision (CARTAC)
	June 2015-July 2016	Securities and Insurance Supervision (CARTAC)
	December 2015	Designing Resolution Framework
	October 2015	Debt Management, Monetary and FX Operations
	April 2014-July 2015	Securities Supervision (CARTAC)
	June 2015	Transition to the Retail Repo Trust
	April 2015	Resolution Framework for the Securities Sector and other Non-Bank Financial Institutions
	March 2015	National Crisis Management Framework
	February 2015	TOR for a Review of the BOJ's Readiness for IT
	December 2014	Reforming Monetary Policy Operations and the Operational Modalities of Restarting the Government Bond Market
	November 2014	Data Collection Templates for the Securities Sector; System Design for Trust, and Operational Matters.
	October 2014	Contingency plans and crisis management framework
	April-June 2014	Review of Pension Supervision Framework (CARTAC)
	April 2014	Developing Monetary and FX Operations
	January, March 2013	Banking Supervision and Regulations
	July 2013	QIS Insurance Supervision (CARTAC)
	April 2012	Liability Management
	May 2011	Prudential Framework for Security Dealers
	February 2011	Development of Debt Strategy
	October 2010	Debt Management
	August 2010	Strengthening Capital Requirements for Securities Dealers
	May 2010	Medium-Term Debt Management Strategy Framework
	March 2010	Strengthening Capital and Margin Requirements
	February-July 2010	Bank and Insurance Supervision (CARTAC)
STA	January 2018	National Accounts Statistics (CARTAC)
	October 2017	Government Finance Statistics
	October 2017	Price Statistics (CARTAC)

April 2017	Balance of Payments Statistics (CARTAC)
November 2016	Real Sector Statistics (CARTAC)
October 2016	Consumer/Producer Prices (CARTAC)
October 2016	Financial Soundness Indicators (CARTAC)
January 2016	National Accounts Statistics (CARTAC)
August 2015	Institutional Sectoral Accounts (CARTAC)
April 2015 – May 2015	Balance of Payments Statistics (CARTAC)
December 2014	National Accounts Statistics (CARTAC)
April 2014	Balance of Payments Statistics (CARTAC)
January 2014	National Accounts Statistics (CARTAC)
October 2013	Consumer/Producer Price Indices
July, September 2013	National Accounts Statistics
June 2012	National Accounts Statistics
October 2011	External Sector Statistics; Government Finance Statistics
April 2011	SDDS Assessment

Resident Representative: The post of the resident representative was established effective June 1, 2010.

RELATIONS WITH THE WORLD BANK

(As of December 31, 2017,)

The World Bank Group's program in Jamaica is guided by the Country Partnership Strategy FY14–17 (CPS), recently extended to FY 2019 under the Program and Learning Review (PLR). The overarching goal of the CPS is to support Jamaica in creating the conditions for sustainable and inclusive growth. The strategy is fully aligned with the government's "Vision 2030 Jamaica" national development plan and aims to provide selective solution oriented support in three strategic thematic areas: (i) public sector modernization; (ii) enabling environment for private sector growth; and (iii) social and climate resilience. The strategy has a strong focus on private sector-led growth and increased competitiveness while it continues to build on successes in social protection, education, urban development and climate resilience. The IFC continues to work with both the private sector and the government to promote investment, improve access to finance and increase public-private partnerships.

A. Projects

The **Jamaica Early Childhood Development Project (ECD)** was approved in May 2008 for US$15 million, with additional financing of US$12million approved in February 2014. The additional financing scales up activities under the ECD project while endorsing the objectives of the ECD National Strategic Plan. The development objectives are to: (i) improve parenting education and support programs; (ii) improve monitoring of children's development, screening of household level risks, and risk mitigation and early intervention systems, (iii) enhance the quality of early childhood schools and care facilities; and (iv) strengthen early childhood organizations and institutions.

The **Jamaica Social Protection Project (SPP)** was approved in May 2008 for US$40 million, with additional financing of US$40 million approved in January 2014. Recognizing the government's budget constraints, the additional financing continues to provide support to the most vulnerable under a well performing project. The Jamaica Social Protection Project helps to: (i) further improve the effectiveness of the Program of Advancement through Health and Education (PATH) to foster investment by poor families in human capital accumulation; (ii) develop a structured system for assisting working-age members of PATH-eligible households to seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension scheme; and (iv) develop a holistic social protection strategy.

The **Jamaica Integrated Community Development Project (ICDP)** was approved in March 2014 for US$42 million. The development objective is to enhance access to basic urban infrastructure and services, and contribute towards increased community safety in selected economically vulnerable and socially volatile inner city communities of Jamaica.

The **Strategic Public Sector Transformation Project** was approved in July 2014 for US$35 million. The project's objective is to strengthen public resource management and support selected public sector institutions to improve services critical for a better business environment.

The **Jamaica Disaster Vulnerability Reduction Project (DVRP)** was approved in February 2016 for US$30 million. The project seeks to enhance Jamaica's resilience to disaster and climate risk by improving disaster preparedness and response, and reducing risk of key infrastructure failure as a result of natural hazards.

The **Jamaica Foundations for Competitiveness and Growth Projects (FCGP)** was approved in July 2014 for US$50 million. The project helps to strengthen the business environment in Jamaica, facilitate private investment in strategic infrastructure assets and support the transformation of SMEs to high-potential supply chains.

The **Youth Employment in Digital and Animation Industries Project (YEDAI)** was approved in July 2014 for US$20 million. The project taps into Jamaica's creative industries and aims to support youth employment in the digital and animation industries, including support to the government's, Housing Opportunity Production and Employment (HOPE) Programme.

IFC has a committed investment portfolio totaling US$162.4 million, including mobilization, as of November 30, 2017. IFC investment services continues to increase in Jamaica with investments in the financial, infrastructure and energy sectors.

MIGA has a net exposure of US$40.9 million and will continue to encourage private sector development and facilitate foreign direct investment.

B. Advisory and Analytical Services and Trust Funds

In addition to investment projects, the World Bank Group also provides technical assistance and grant funding to Jamaica. Grants and trust funds currently under implementation are equivalent to US$14.0 million. Technical assistance complements investment financing in areas such as disaster risk management, climate change, coastal management assessment, and social protection.

IFC advisory services have been provided to support the Government of Jamaica's tax reform agenda in addition to focusing on improving the investment climate, increasing public-private partnerships and trade services. IFC is also providing value chain support to the food sector to increase exports. In addition, IFC is working with the government to improve the prudential lending framework for the Secured Interest in Personal Property Act and the usage of the National Personal Property Registry. IFC is also providing technical assistance to increase access to finance and credit penetration in rural areas with a specific focus on the agricultural sector through the creation, structuring and management of the index insurance ecosystem necessary for long term sustainability of the sector.

In 2017, the World Bank completed the Jamaica Review of Public Health Expenditures, which assessed the performance and key challenges facing the health system as an input into the sector's strategic planning process and identified recommendations for private sector engagement in the delivery of health services.

C. Financial Relations

Project Lending[1] (status as of December 31, 2017) (in millions of U.S. dollars)			
Project	**Original Amount**	**Total Disbursed**	**Undisbursed Balance**
JM Early Childhood Develop Proj -- SWAP	26.9	23.4	3.6
JM Social Protection	80.0	75.2	4.8
JM - Integrated Comm. Devl. Proj.	42.0	10.4	31.6
JM Strategic Public Sect Transformation	35.	8.4	26.7
JM Disaster Vulnerability Reduction	30.0	0.9	29.1
JM Foundations for Compet & Growth	50.0	17.1	33.0
JM Youth Employment in Digital and Animation	20.0	3.2	16.8
Second Competitiveness & Fiscal Management DPL	70.0	70.0	0.0
Total	**353.9**	**208.4**	**145.6**

1/ Amounts may not add up to Original Principal due to changes in the SDR/US exchange rate since signing.

Disbursement and Debt Service, FY2013–FY2018 (in millions of U.S. dollars)						
	Actual					
	2013	**2014**	**2015**	**2016**	**2017**	***2018**
Total Disbursements	20.4	145.5	112.2	24.1	31.4	82.3
Repayments	35.6	37.2	36.3	44.9	45.7	22.9
Net Disbursements	-15.1	108.1	75.9	-20.9	-14.4	59.4
Interest and Fees	11.3	9.2	8.5	10.1	14.5	8.9

***Data as of December 31, 2017; the World Bank fiscal year runs from July 1 through June 30.**

RELATIONS WITH THE INTER-AMERICAN DEVELOPMENT BANK

(As of December 31, 2017)

Jamaica joined the Inter-American Development Bank (IDB) in 1969. Since then, the IDB has approved 121 loans to Jamaica amounting to almost US$4.5 billion and over 230 technical cooperation operations totaling in excess US$88.2 million. IDB financial assistance has supported a wide range of infrastructural, environmental and social sector projects with a view to enhancing Jamaica's human resource and absorptive capacity and strengthening the foundation for private sector-led growth. In addition, the IDB has supported reforms aimed at strengthening the institutional and regulatory environment.

The IDB is the leading lender to Jamaica among multilateral development partners. As of December 31, 2017, Jamaica's outstanding debt to the IDB stood at US$1.83 billion, of which US$122.90 million were loans to the private sector. The total represents 16.1% of public external debt and 52.2% of multilateral debt (including the IMF).

Starting in 2004 there was a drastic reduction in the fiscal space needed to disburse existing Bank loans. As a result, part of the portfolio was cancelled, and no new loans were approved between 2004 and 2008. The new administration that took office in 2007 intensified Jamaica's reform program and emphasized a policy of expanding IFI financing for its development program.

This ushered in a new generation of Bank lending to Jamaica. The IDB approved eight new loans for a total of US$405 million for Jamaica in 2008, including a US$200 million loan to increase private bank lending to the real sector; a US$60 million policy based loan for improving public financial management; US$50 million for road rehabilitation; US$30 million for education reform; a US$30 million policy based loan for competitiveness; US$14 million for primary schools; US$11 million for youth at risk; and US$10 million for rebuilding infrastructure damaged by floods.

This upward trend continued in January 2009 when the Bank approved two more loan operations: a US$300 million liquidity program to protect the real sector from lost credit lines; and a US$15 million social safety net program. In September 2009, a US$70 million loan was approved to expand the highway network and a US$25 million for a citizen security and justice program and US$10 million for road improvement.

The Bank provided unprecedented support to the country in 2010 as part of a broader financial support from multilateral financial institutions in support of the Stand-By Arrangement with the IMF. In February 2010, the Bank approved 3 policy based loans and 1 hybrid PBL/investment loan for a total of US$215 million. The areas of intervention were the same as the previously approved PBLs (public financial management, education and competitiveness) and a PBL focused on human capital protection. During the second half of the year the Bank approved an investment loan to

support competitiveness in the agricultural sector US$15.0 million, as well as two phases of a new policy based program totaling US$400 million aimed to support fiscal consolidation.
Because of the macroeconomic deterioration following the stalling of the SBA in 2011, IDB support to Jamaica decreased. The Bank disbursed US$131 million in 2011 and US$69.6 million in 2012. Because of the stabilization of the economy and in support of the Extended Fund Facility with the IMF, the Bank's support increased in 2013 with disbursements totaling US$101 million. Sovereign Guarantee Disbursements continued its upward trend and totaled US$194 million, US$203 million, US$230 million in 2014, 2015 and 2016 respectively. However, there was a reduction in disbursement offtake for 2017 with only US$33.6 million, alluded to the composition change of the portfolio and cyclical trends.

In 2013, the Bank disbursed US$101.4 million, including US$60 million in budget support in the area of public financial and performance management. Another US$295 million in budget support was approved in calendar years 2014 and 2015, supporting the areas of competitiveness, education and fiscal reform. During 2013 to 2015, four investment loans were approved totaling US$105 million to support public sector efficiency, citizen security, climate change and social protection. In addition, one operation was approved in calendar year 2016 totaling US$15 million, which will support the Government of Jamaica in continuing Energy Efficiency and Energy Conservation efforts through the retrofitting of government facilities with energy efficient equipment and infrastructure. This operation has also benefitted from JICA co-financing support in the amount of US$15 million.

As of December 31, 2017, the Bank's portfolio consisted of 13 active investment loans[1] valued at US$626.0 million, another 4 investment loans valued at US$243 million are exiting the portfolio in 2018 and there are 19 non-reimbursable technical cooperation valued at US$39.3 million. Thirty nine percent of the IDB loan resources and fifty three percent of the TC funds have been disbursed, leaving US$382.6 million and US$21.5 million available for disbursement, for loans and non-reimbursable technical cooperations, respectively.

Major Ongoing Projects

Project Category	Number	Amount (US$ mn.)	Percent Disbursed
Projects in execution	15	626.0	39.0
Private sector loans (NSG)	13	189.6	73.0
IDB Invest loans	4	178.3	72.7
TCs in execution	19	39.3	56.5

Disbursements reached a low point of US$12.5 million in 2005, but have rebounded ever since. They doubled to US$25 million in 2006, and reached US$34 million in 2007. Due in large part to policy-

[1] Private Sector Loans is inclusive of MIF operations.

based lending in 2008 and the approval of the liquidity program in 2009, total disbursements rose dramatically to US$144.2 million, and US$151.5 million in those years respectively. The figures for 2010 reflect the above mentioned unprecedented support that implied a positive cash flow of more than US$626.0 million. As such, disbursements leveled somewhat in 2011 to US$131.4 million, 2012 to US$52.3 million and 2013 to US$101.4 million. From 2014, Sovereign Guaranteed Disbursements continued its upward trend and totaled US$194 million, US$203 million, US$230 million in 2014, 2015 and 2016 respectively. However, there was a reduction in disbursement offtake for 2017 with only US$33.6 million, alluded to the composition change of the portfolio and cyclical trends. Offsetting this performance was the increasing performance of Non-Sovereign guarantee disbursements of US$48 million in 2017.

Net Flow of IDB Convertible Currencies
(In millions of U.S. dollars)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
a. Loan disbursements *(including PBLs)*	34.3	144.2	151.5	626.4	131.4	69.6	101.4	194.0	203.2	250.4	81.6
b. Repayments (principal)	83.5	73.8	74.0	69.6	58.3	98.8	98.7	59.0	63.4	93.9	102.3
c. Net loan flow (a–b)	(49.2)	70.4	77.5	556.8	73.1	(29.2)	2.7	135.0	139.8	156.5	(20.7)
d. Interest and charges	27.1	24.0	29.7	23.7	28.6	28.0	26.4	26.8	26.2	45.0	46.9
e. Net cash flow (c–d)	**(78.1)**	**46.4**	**47.8**	**533.1**	**44.5**	**(57.2)**	**(23.7)**	**108.2**	**113.6**	**114.4**	**(67.6)**

SG and NSG disbs.

Country Strategy with Jamaica

The current Country Strategy focuses on supporting efforts to reestablish fiscal sustainability, maintain social stability, and promote private-sector led growth. This will be realized through lending and technical assistance in the following priority areas: (i) Fiscal Sustainability; (ii) Social Protection and Safety; and (iii) Financial Sector & Business Climate. To mitigate fiscal and social impacts posed by extreme climatic events, Disaster Risk Management and Climate Change Adaptation will be a cross-cutting theme.

Country Systems

In keeping with the agenda to improve and use national systems the Government of Jamaica, with the support of multilateral institutions and bilateral donors has prepared a wide range of studies in different areas, including a joint World Bank and IDB, *Country Financial Accountability Assessment and Country Procurement Assessment Report* (CFAA/CPAR) in 2005, and a Public Expenditure and Financial Accountability Report (PEFA) in May 2007. Following the recommended actions of those reports, the IDB and the Government agreed on the main areas of the local fiduciary systems for financial control and procurement procedures that needed to be strengthened, and the IDB went on to provide resources to finance development and reform activities stemming from the CFAA/CPAR, with non-reimbursable technical cooperation funds. Furthermore, in order to ascertain progress made in recent years and to determine eligibility to audit IDB-funded projects a follow-up assessment of the Office of the Auditor General of Jamaica was undertaken during a mission fielded in the third quarter of 2010.

Since 2007, Jamaica has developed a comprehensive handbook, more concrete regulations defining its public procurement including a procedure for managing contractual disputes, enhanced accessibility of information, separation of the Office of Contractor General and the National Contracts Committee, as well as creating national standard bidding documents. Although the national procurement system conforms to established principles of procurement based on international standards, some outstanding issues remain to be resolved. With the agreement of the Government of Jamaica, the IDB would undertake an update of the latest country assessment of the national procurement system to identify (a) the improvements in the pertinent aspects of the country procurement system, and (b) the readiness to rely on Jamaica's national procurement systems for Bank-financed projects with a view to adoption of procurement country systems. Ideally, this work can be accomplished together with the World Bank. In addition, the IDB PRODEV facility and the PFPM Programmatic PBL will also support the introduction of performance-based budgets and accrual accounting. The Multi-lateral Investment Fund (MIF) will also promote better access by Small and Medium Enterprises (SMEs) to public procurement.

Recent developments in Fiduciary Country Systems realized the following diagnostic initiatives. In 2016 the Bank served as a peer reviewer for Public Expenditure & Financial Accountability, (PEFA) assessment and the Supreme Audit Institution of Jamaica, concluded the internationally acclaimed Supreme Audit Institutions Performance Measurement Framework, (SAI PMF) in 2017.

Total Projected Debt Service, 2013–2017
(Millions of U.S. dollars equivalent)

Year	2013	2014	2015	2016	2017
Principal	98.7	59.03	63.4	96.9	102.3
Interest	25.3	26.8	26.2	35.2	46.9
Total	**124.1**	**85.8**	**89.6**	**132.1**	**149.2**

STATISTICAL ISSUES

As of March 18, 2018

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is broadly adequate for surveillance. In early 2003, Jamaica started participating in the Fund's General Data Dissemination System (GDDS), which provides participants with a framework for the development of the statistical system.

Key websites for statistics on Jamaica:

Bank of Jamaica:	**http://www.boj.org.jm/**
Ministry of Finance and Planning:	**http://www.mof.gov.jm/**
Planning Institute of Jamaica:	**http://www.pioj.gov.jm/**
Statistical Institute of Jamaica:	**http://www.statinja.gov.jm/**

National Accounts: The Statistical Institute of Jamaica (STATIN) provides annual estimates of GDP by economic activity and by expenditure at current and constant 2007 prices, as well as quarterly current and constant estimates for GDP by economic activity. Progress with addressing data gaps, compiling the supply and use tables (SUT) and rebasing the GDP estimates to 2014 has been slow due to high staff turnover and the staff having to concentrate on producing the ongoing annual and quarterly GDP estimates. Assistance on national accounts methodology has been provided by Statistics Canada, STA, and CARTAC.

Price statistics: The CPI expenditure weights and item basket are based on the 2004/2005 household expenditure survey (HES) and therefore unlikely to be representative of current expenditure patterns. The 2017/2018 HES is now underway, the results of which will be used to derive the expenditure weights for the rebased CPI and update the product group and outlet selection. Substantial progress has been made in the development of the export and import price indexes (XMPIs) by minimizing the reliance on volatile unit value indices from Customs. The STATIN compiles and disseminates the producer price index (PPI) on a monthly basis covering mining and manufacturing industries (base 2005 =100). There are plans to improve the scope of the PPI by covering other industries like electricity, gas, services, etc.

Government finance statistics: Budgetary central government operations and public debt data (with the exception of non-guaranteed debt by public entities) are updated on a monthly basis. Budgetary data also excludes the revenues and expenditures financed by Appropriations in Aid, and therefore provides an incomplete picture of budgetary central government revenue and expenditures. Also, data on operations of public entities outside the consolidated fund (which includes all public bodies that are fully financed through the state budget) are only available with lag of more than a month, making the assessment of the overall balance of the public sector challenging.

Government finance statistics are available at:

Debt: http://www.mof.gov.jm/dmu/

Budget: http://www.mof.gov.jm/programmes/em/fpmu/default.shtml

Monetary and financial statistics: The BOJ initiated the submission of monetary and financial statistics based on standardized report forms (SRFs) in March 2007. The BoJ's monetary and financial statistics (MFS) generally conform to the concepts and definitions of the *2000 Monetary and Financial Statistics Manual (MFSM)* and its *Compilation Guide*. However, there is room to improve the quality of data provided in the BoJ's balance sheet. The BoJ does not yet compile and report data for the Other Financial Corporations sector, which holds a significant portion of the financial system's assets. The BoJ does not currently report Financial Soundness Indicators (FSIs) to the Fund for dissemination on the Fund's website. The BoJ needs to update their action plan related to compilation of FSIs.

Balance of Payments: The BOJ reports quarterly balance of payments (BOP) and international investment position (IIP) in the format of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*), and monthly International Reserves and Foreign Currency Liquidity data. In addition, the BOJ participates in the World Bank's Quarterly External Debt Statistics (QEDS) database with data on Gross External Debt Position. The quality and dissemination of external sector statistics has significantly improved; however, there are shortcomings for direct investment data and the coverage of nonfinancial sector needs to be further improved. External debt data does not include intercompany debt.

II. Data Standards and Quality

Participant in the General Data Dissemination System (GDDS) since February 28, 2003.	No data ROSC is available.

III. Reporting to STA (Optional)

No data on industrial production, wholesale or producer prices, import volumes, or export and import prices have been reported for publication in the *International Financial Statistics (IFS)* in recent years.

Detailed annual balance of payments and international investment position (IIP) data are reported by the BOJ for publication in the *Balance of Payments Statistics Yearbook (BOPSY)* and the *IFS*. In September 2007, Jamaica reported for the first time IIP data to STA; annual IIP data since 2005 are now available in *BOPSY* and *IFS*. Monthly data are reported for the balance sheet of the Bank of Jamaica and Other Depository Corporations with long lags

Fiscal data for the budgetary central government, some extrabudgetary government units and the National Insurance Fund has historically been reported by the MOF for inclusion in the Government Finance Statistics Yearbook and Database, This data is being substantially revised and improved following the October 2017 STA GFS TA Mission, and the follow up mission planned for May 2018.

Jamaica: Table of Common Indicators Required for Surveillance
(As of March 18, 2018)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	02/18	03/18	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	01/18	03/18	M	M	M
Reserve/Base Money	09/17	12/17	M	M	M
Broad Money	02/17	12/17	M	M	M
Central Bank Balance Sheet	01/18	02/18	M	M	M
Consolidated Balance Sheet of the Banking System	09/17	12/17	M	M	M
Interest Rates[2]	02/18	02/18	D	D	D
Consumer Price Index	01/18	02/18	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Selected Public Bodies[4]	03/16	05/16	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	01/18	02/18	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	01/18	02/18	M	M	M
External Current Account Balance	Q3/2017	03/18	Q	Q	Q
Exports and Imports of Goods and Services	12/17	02/18	M	M	M
GDP/GNP	2016	01/18	Q	Q	Q
Gross External Debt	Q3/17	01/18	M	M	M
International Investment Position	Q3/2017	03/18	Q	Q	Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] Selected public bodies are self-financed public entities.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).