



JAMAICA

April 2019

FIFTH REVIEW UNDER THE STAND-BY ARRANGEMENT—PRESS RELEASE AND STAFF REPORT

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

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on March 8, 2019, with the officials of Jamaica on economic developments and policies underpinning the IMF arrangement under the Stand-By Arrangement. Based on information available at the time of these discussions, the staff report was completed on March 27, 2019.

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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April 22, 2019

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

- Reduction in the primary surplus target by ½ percent of GDP to 6½ percent in the FY19/20 Budget will facilitate higher spending in social assistance, citizen security and infrastructure.
- Reducing the highly distortive financial turnover taxes is expected to lower the cost of doing business and increase economic activity. Tackling governance issues swiftly and forcefully is necessary to enhance transparency and accountability, bolster trust in public institutions, and protect public funds.

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Jamaica's performance under the program supported by the [Stand-By Arrangement](#) (SBA), on a lapse of time basis.¹ The 36-month SBA with a total access of SDR 1,195.3 million (about US\$1.66 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 implementation of the reform program continues. After commendable performance under two successive Fund arrangements since May 2013, Jamaica's public debt is projected to fall below 100 percent of GDP for the first time since FY2000/01—to 98.7 percent of GDP in FY18/19. Unemployment is near all-time lows, business confidence is high, and the economy is estimated to have expanded by 1.8 percent in 2018, buoyed by mining, construction and agriculture. International reserves are estimated to be comfortable under a more flexible exchange rate. All quantitative performance criteria at end-December 2018 were met, and the structural benchmark to table in Parliament amendments to the Bank of Jamaica (BOJ) Act was completed in October 2018. In December 2018, however, inflation

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.

was 2.4 percent, triggering staff consultation under the Monetary Policy Consultation Clause; it remained at the same level in February 2019.

Achieving higher growth calls for action from both the public and private sector. For its part, the Government of Jamaica's FY19/20 budget is reducing the primary surplus by ½ percent of GDP to 6½ percent without compromising the medium-term public debt anchor. The fiscal loosening supports growth and social spending by providing resources for security, infrastructure, school meals and transportation. Further, the cuts to distortionary financial taxes will help support economic activity and job creation. The private sector, for its part, should capitalize on these fiscal measures to increase investment, and create new opportunities for advancing financial inclusion.

Public sector governance shortcomings should be immediately addressed. This could be achieved, in part, by (i) empowering the Integrity Commission, (ii) passing regulations to solidify a transparent and competency-based process for board appointments to public bodies' boards, (iii) migrating funds from the government's commercial bank accounts to the Treasury Single Account (TSA) and closing those accounts, and (iv) reducing the number of public bodies.

Further monetary easing is needed to restore inflation to the midpoint of the 4–6 percent target range. The BOJ's recent reduction in the reserve requirement on Jamaican dollar deposits will help make policy accommodative but further rate cuts are likely to be needed. In deciding further policy loosening, the BOJ should carefully assess all incoming data. The BOJ should also continue to reduce its FX market footprint, including by limiting its FX sales to disorderly market conditions; the need for further reductions in reserve requirements should be assessed.

Strengthening coordination between the BOJ and FSC and increasing capacity in both institutions is paramount to maintain financial sector stability. Risk-based supervision of financial conglomerates requires the methodical collection, sharing, and monitoring of data and lending standards. Joint work among the regulators will be required to draft legislation for the special resolution regime and to address AML/CFT deficiencies.

An ongoing commitment to strengthen domestic institutions is needed as Jamaica prepares to exit from the Fund financial arrangement later this year. Laying the groundwork for the Fiscal Council, amendments to the BOJ Act for its operational autonomy, and a disaster resilience policy framework are steps in this direction. Overhauling the public sector compensation structure by streamlining allowances and making it performance-based, prioritizing and reducing government functions and size, and upgrading public bodies' governance are critical for fiscal sustainability.

Table 1. Jamaica: Selected Economic Indicators 1/

Population (2013): 2.8 million	Per capita GDP (2014): US\$4955								
Quota (current; millions SDRs/% of total): 382.9/0.08%	Literacy rate (2015)/Poverty rate (2016): 87%/17.1%								
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar	Unemployment rate (Oct. 2018): 8.7%								
	2016/17	Est. 2017/18	Prog. 2018/19	Projections					
				2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
(Annual percent change, unless otherwise indicated)									
GDP and prices									
Real GDP	1.4	0.9	1.4	1.5	1.5	1.9	2.1	2.3	2.4
Nominal GDP	5.9	7.9	5.5	5.4	6.2	7.0	7.2	7.5	7.6
Consumer price index (end of period)	4.1	4.0	4.7	4.0	4.3	5.0	5.0	5.0	5.0
Consumer price index (average)	2.4	4.6	3.7	3.5	4.2	4.7	5.0	5.0	5.0
Exchange rate (end of period, J\$/US\$)	128.7	126.0	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	126.5	128.0	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	5.4	-2.1	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-2.6	3.2	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	6.3	5.1	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	6.1	5.1	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	12.7	9.7	...	...	...	...	...	...	...
(In percent of GDP)									
Government operations									
Budgetary revenue	27.9	29.0	29.8	30.8	29.4	28.7	28.3	28.1	28.0
<i>Of which: Tax revenue 4/</i>	25.7	25.7	25.9	26.6	26.3	25.8	25.5	25.5	25.5
Budgetary expenditure	28.1	28.6	29.6	30.6	29.2	28.0	27.3	26.7	26.0
Primary expenditure	20.3	21.6	22.8	23.8	23.0	22.2	21.8	21.6	21.5
<i>Of which: Wages and salaries</i>	9.3	9.2	9.1	9.0	9.0	9.0	8.8	8.8	8.8
Interest payments	7.8	7.0	6.8	6.8	6.3	5.9	5.5	5.1	4.5
Budget balance	-0.2	0.5	0.2	0.2	0.2	0.6	1.0	1.4	2.0
<i>Of which: Central government primary balance</i>	7.6	7.5	7.0	7.0	6.5	6.5	6.5	6.5	6.5
Public entities balance 8/	2.0	0.6	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	0.2	-0.2	0.2	0.6	1.0	1.4	2.0
Public debt (FRL definition) 4/ 6/	113.6	101.1	99.6	98.7	93.3	88.5	81.9	76.0	69.5
Public debt (EFF definition) 5/ 7/	121.7	109.1	105.8	105.1	96.1	90.8	83.4	76.7	69.5
External sector									
Current account balance	-1.2	-3.0	-5.0	-2.5	-2.9	-2.7	-2.8	-2.9	-3.0
<i>Of which: Exports of goods, f.o.b.</i>	8.8	9.5	10.8	10.8	10.1	10.2	10.2	10.2	10.1
Exports of services	15.7	14.2	14.5	14.1	14.9	15.0	14.7	14.4	14.2
Imports of goods, f.o.b.	30.1	33.5	36.9	33.7	33.6	33.1	33.0	32.6	32.2
Imports of services	21.2	20.6	21.1	20.8	22.6	23.3	22.9	22.6	22.3
Net international reserves (US\$ millions)	2,769	3,075	2,965	2,834	3,155	3,485	3,556	3,717	3,689
<i>of which: non-borrowed</i>	1,944	2,398	2,454	2,353	2,825	3,169	3,409	3,591	3,672
(Changes in percent of beginning of period broad money)									
Money and credit									

Net foreign assets	0.4	12.8	2.8	-0.8	7.0	7.1	2.8	4.5	1.6
Net domestic assets	20.3	6.1	2.7	6.2	-0.8	-0.1	4.4	3.0	5.9
<i>Of which: Credit to the private sector</i>	26.5	14.8	7.8	7.1	8.1	8.6	9.6	11.3	11.8
Credit to the central government	-0.4	5.6	2.8	7.0	3.1	-1.5	0.1	-0.1	0.0
Broad money	20.7	18.9	5.5	5.4	6.2	7.0	7.2	7.5	7.6
Memorandum item:									
Nominal GDP (J\$ billions)	1,789	1,930	2,039	2,034	2,160	2,311	2,478	2,663	2,864

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.



JAMAICA

FIFTH REVIEW UNDER THE STAND-BY ARRANGEMENT

March 27, 2019

EXECUTIVE SUMMARY

Sustained improvements in macroeconomic outcomes. The economy has expanded for the past 15 quarters; unemployment is at historic lows; international reserve coverage is consistently high; inflation is subdued—albeit below the BOJ target 4–6 percent range; the stock market was the globe’s best performer in 2018; and Fitch recently upgraded Jamaica’s credit rating. A slow pick-up in private investment, however, is still pointing to the need to reinvigorate the effort to remove supply-side impediments to growth and job creation.

Continued exemplary program performance. All quantitative performance criteria and indicative targets for end-December 2018 and the structural benchmark to table in Parliament the proposed amendments to the Bank of Jamaica Act were met. Other structural reforms are broadly on track, albeit with some delays in public sector transformation. Modifications to the definition of external arrears and non-borrowed net international reserves are proposed since escrowed funds cannot be settled due to international and/or bilateral sanctions. In addition, staff proposes to remove the adjustor for the Petrojam loan. Upon completion of this review, total credit available to Jamaica under the precautionary SBA would be SDR 1,034.5 million.

Focus of the review. Discussions centered on: (i) A reduction in the primary surplus target for FY19/20 by ½ percent of GDP to 6.5 percent to accommodate well-defined priority spending (on security, infrastructure, and social policies) and to phase out a range of distortionary taxes; (ii) how best to strengthen the governance and public financial management of public bodies; (iii) improving monetary and FX market operations; (iv) developing the domestic debt market; and (v) improving financial sector resilience and increasing access to financing.

Risks. Uncertainty related to the future of Petrojam creates fiscal risks. An escalation in crime could further curtail private investment and growth. Weaker world growth and tighter global financial conditions represent important downside risks.

Approved by:
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Mission Team: U. Ramakrishnan (head), J. Danforth and K. Youssef (all WHD), R. Lam (FAD), N. Suryakumar (MCM), R. Mano (SPR), and C. Lonkeng (Resident Representative). A. Veras, A. Robinson, S. Spencer and C. Ritchie, (all WHD) supported the mission. Mr. Williams (OED) joined the discussions.

Discussions took place in Jamaica (February 25–March 8, 2019).

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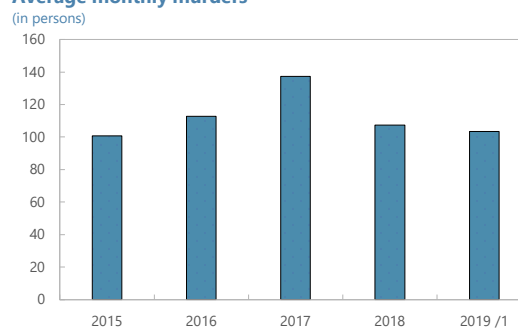
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CONTEXT

1. The authorities are preparing their exit from Fund financial support. The Prime Minister has committed his administration to continued good policies once the Stand-By Arrangement ends later this year. The government of Jamaica (GOJ) is working to develop stronger domestic institutions to support its post-program goals, including by amending the Bank of Jamaica (BOJ) Act to facilitate the shift toward inflation targeting, establishing a Fiscal Council to entrench fiscal discipline, and creating a natural disaster risk financing strategy.

2. Addressing crime and governance are high priorities. The state of emergency introduced in January 2018 in several parishes helped reduce murders by 20 percent in 2018. Following retraction of the state of emergencies in January 2019, bipartisan discussions are expected to build on the existing Plan Secure Jamaica. The government is also actively contending with shortcomings in the governance of public bodies, as highlighted by the Auditor General’s report on the state-owned refinery (Annex I).

Average monthly murders

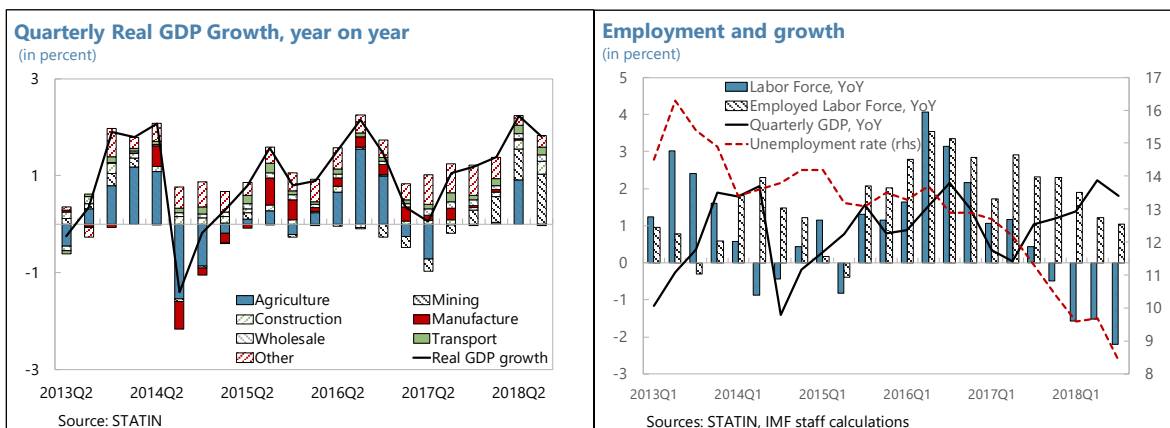


Source: Jamaica Constabulary Force (JCF)
1/ For 2019 average reflects only January and February

SUSTAINED MACROECONOMIC STABILITY

3. The current economic expansion has been sustained for 15 consecutive quarters.

- Real GDP grew by 1.8 percent (y/y) in Q3 2018. On a rolling four-quarter basis, growth averaged 1.7 percent (y/y)—the highest level since 2008—supported by tourism, infrastructure spending, and mining. Increases in agriculture and mining are expected to support 1.5 percent growth in FY18/19 and FY19/20. Over the medium-term, growth is expected to rise to 2.4 percent, supported by higher public and private investment and improved productivity.

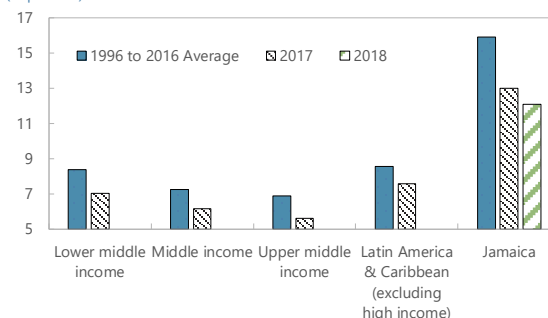


- The July 2018 unemployment rate hit a 50-year low at 8.4 percent, reflecting job creation in tourism, mining, and construction; October recorded a slight uptick to 8.7 percent. Data suggest that there is a gradual shift away from more informal sectors such as agriculture and domestic households, to services and skilled professional occupations. Labor force participation is also declining, in part as more youth (14–30 years) are seeking education and training.

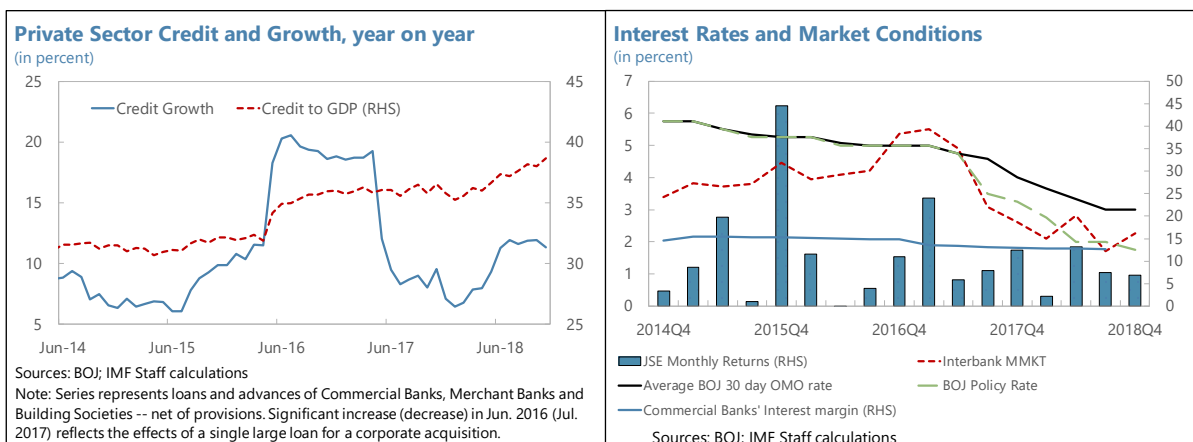
4. Inflation remains low despite sustained monetary policy loosening by the BOJ. The overnight policy rate cuts by a cumulative 225bps since July 2017 to 1.5 percent have not pushed CPI inflation to the BOJ’s target range of 4–6 percent. In December 2018, inflation was 2.4 percent, triggering staff consultation under the Monetary Policy Consultation Clause. Inflation remained at 2.4 percent (y/y) in February 2019; core inflation is broadly flat at around 2.3 percent. The authorities noted that in addition to low oil and food prices, the low inflation highlights structural rigidities in monetary transmission. They stand ready to take measures to restore inflation to the target range, as demonstrated by the 25bps policy rate cut in February and the reduction in the cash reserve ratio from 12 to 9 percent of J\$ deposits from March 1 (1120).

5. Financial conditions remain accommodative. The policy rate reductions are mostly passing through to consumer loans, mortgages, and already well-financed corporates, but not as strongly to SMEs. Moreover, system-wide loan-to-deposit rate spreads continue to remain high. Private credit growth is decelerating, with growth in December 2018 at 13.3 percent, compared to 16.2 percent in September 2018. NPLs remain low, and banks are well-capitalized. Risks from an expansion in banks’ lending to households are mitigated by improved banks’ risk management practices including an increased reliance on credit bureaus and an average loan loss provisioning of 116 percent at December 2018. The recent proposals to increase investment limits for pension funds from 0 to 5 percent to invest in private equity are expected to improve access to financing.

Banks' Loan to Deposit Spreads
(in percent)



Sources: BOJ; World Bank, Global Financial Development and IMF staff calculation. Note: Data represents the average weighted spread for commercial banks

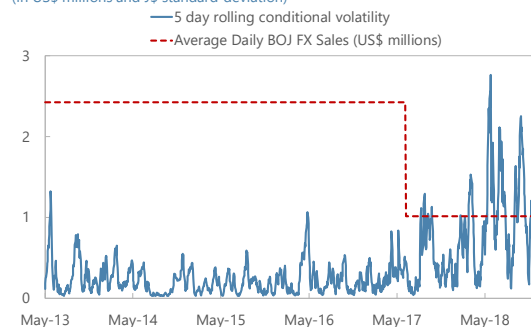


6. Markets are rewarding Jamaica for the strong policy track record. Jamaican equities outperformed all others globally in 2018. In January 2019, Fitch upgraded Jamaica’s credit rating to B+, and raised the country rating ceiling to a decade high of BB-. Jamaica’s sovereign bond yields—trading at historic lows—continue to outperform other emerging markets.

7. FX market deepening is evidenced by an increase in market-driven two-way movements in the exchange rate. Realized

volatility in the J\$/US\$ exchange rate increased as the currency cycled through appreciation and depreciation episodes. Since beginning FX auctions (BFXITT) in June 2017, the BOJ’s FX sales have on average halved, with fewer BOJ interventions needed even amidst higher volatility. The recent J\$ volatility signals a normal progression as the market develops, although the BOJ has continued to sell periodically through flash auctions.

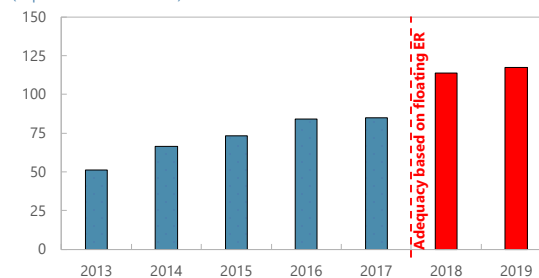
Average BOJ Intervention and FX Market Volatility
(in US\$ millions and J\$ standard deviation)



Sources: BOJ; IMF staff calculations

8. The external position has improved. The current account deficit for FY16/17 and FY17/18 was revised down by 1.4 and 2.0 percent of GDP respectively, due to a technical error that resulted in double-counting some imports. The FY18/19 current account deficit is projected to be around 2.5 percent of GDP, as higher fuel and raw material imports offset export growth in mining and tourism. The current account deficit in FY19/20 and over the medium-term is expected to be around 3 percent of GDP, consistent with rising public and private investment. Gross reserves are now at about 115 percent of the Fund’s ARA metric.

Gross International Reserves
(in percent of ARA metric)



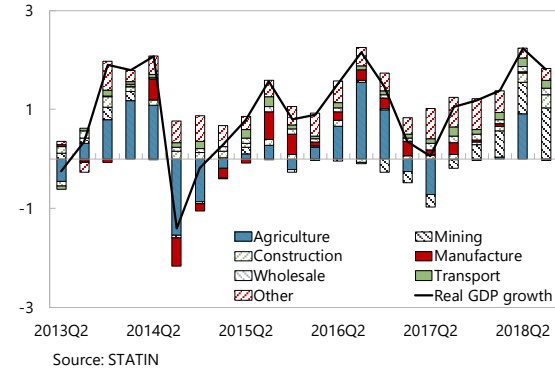
Source: IMF Staff calculations; Note: Due to reclassification of Jamaica’s exchange rate regime, the ARA metric is calculated using the factors for exchange rate floating countries starting in 2018. Countries with reserves between 100 and 150 percent of IMF ARA metric are deemed to have adequate levels of reserves.

9. Risks to the outlook are broadly balanced. Lower oil prices could improve Jamaica’s external position, a slowdown in the U.S. would weaken tourist inflows, and tighter global financial conditions could reduce the availability of foreign capital. Domestically, the mining sector is benefiting from the lifting of US sanctions on Windalco’s parent UC Rusal but potential disruptions at Alpart could reduce growth. Weather swings continue to present a risk, particularly for agriculture while recent delays in developing a durable framework to address crime and governance challenges could erode confidence and growth.

Figure 1. Jamaica: Recent Developments

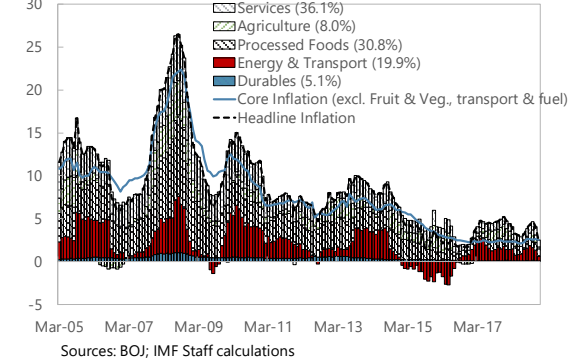
Mining supported growth in the first three quarters...

Quarterly Real GDP Growth, year on year
(in percent)



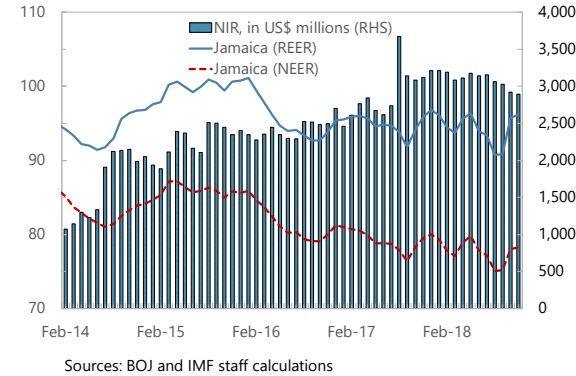
...and inflation remained subdued

Inflation and contributions
(in percent)



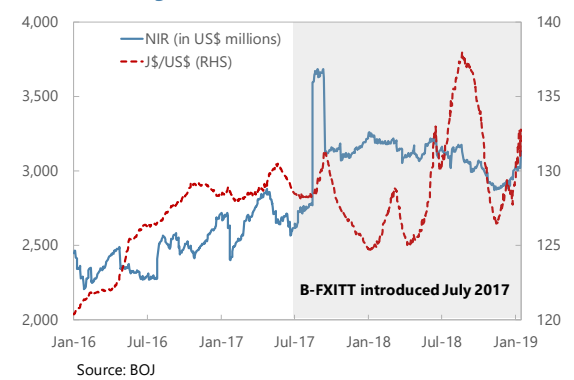
REER and NEER have remained stable since 2017...

Competitiveness and Net International Reserves
(index, and US\$ millions)



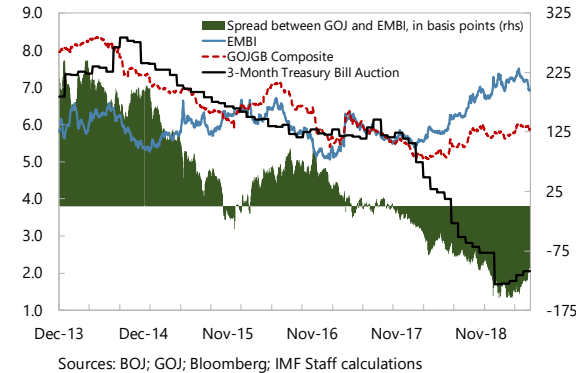
... with reserves accumulation and two-way J\$ movement

J\$/US\$ Exchange Rate and Net International Reserves



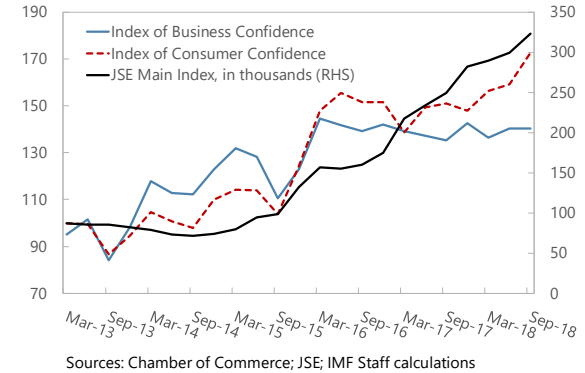
Bond spreads at all time low...

Jamaica borrowing cost
(in percent and basis points)



...and consumer confidence at all time high

Confidence and stock market
(index)



PROGRAM IMPLEMENTATION REMAINS STRONG

10. All end-December quantitative performance criteria (QPCs) and indicative targets were met. Buoyant tax revenues meant that the central government primary surplus exceeded the target by J\$40 billion (2 percent of GDP) even as the government boosted spending on road construction. Non-borrowed reserves were above the program target by around US\$320 million. Public debt is expected to fall below 100 percent of GDP in FY18/19 for the first time since FY2000/01. Headline inflation was below the inner band of the Monetary Policy Consultation Clause triggering a staff consultation (TMU 149). The structural benchmark to table in Parliament the proposed amendments to the BOJ Act by October 2018 was met.

11. Structural reforms are advancing but some delays continue in important areas. The tabling of the Microcredit Act to regulate the provision of microcredit services is intended to support financial inclusion. However, completion of the review of bank competition has been significantly delayed by multiple resets to the procurement process for contracting a consultant. Data constraints and delays in stakeholder consultations are also slowing down public sector wage reform. Finally, although capacity and coordination constraints led to delays in developing a comprehensive legislation for the special resolution regime, the submission to Parliament is now expected to be completed by September.

Jamaica: Program Monitoring—Quantitative Performance Criteria Under the Stand-By Agreement 1/2/ (in billions of Jamaican dollars)					
	end-December 2018				PC Status end-December 2018
	PCs	Adjusted PCs	Actual	Difference	
Fiscal targets					
<i>Performance Criteria</i>					
1. Primary balance of the central government (floor) 3/	68.0	68.0	107.7	39.8	Met
2. Overall balance of the public sector (floor) 3/	-41.1	-36.6	29.7	66.3	Met
3. Net increase in the central government guaranteed debt (ceiling) 3/	-8.4	-8.4	-11.1	2.7	Met
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	0.0	-5.2	5.2	Met
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	0.0	-12.4	12.4	Met
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0	0.0	Met
<i>Indicative targets</i>					
7. Tax revenues of the central government (floor) 3/	360.0	360.0	388.7	28.7	Met
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	18.0	18.0	15.2	2.8	Met
9. Central government spending on social programs (floor) 3/ 7/	19.4	19.4	28.3	8.9	Met
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	3.0	1.6	0.0	Met
Monetary targets					
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2200	2,200	2,521	321	Met
12. <i>Monetary policy consultation clause (in percent) 12/</i>					
Outer band (upper)	6.5				
Center inflation target	5.0				
Inner band (lower)	3.5		2.4	-1.1	Not Met
Outer band (lower)	2.0				
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. 12/ The Monetary policy consultation clause bands consist of two types of thresholds. The Inner band triggers a Staff consultation and an Outer band triggers a Board consultation as detailed in the TMU.					

FISCAL PRIORITIES TO SUPPORT GROWTH AND SOCIAL ASSISTANCE

12. Continued revenue overperformance supported a second supplementary budget for FY18/19. Spending was increased by 0.6 percent of GDP, with the bulk of J\$10.5 billion allocated to settling local government arrears, paying tax refunds, and improving roads. Meanwhile, four-year wage settlements have been reached with 96 percent of central government employees; the 9 percent of GDP wage bill target is projected to be reached in FY18/19 in line with the Fiscal Responsibility Law.

13. The FY19/20 budget lowers the primary surplus target from 7 to 6.5 percent of GDP and contains the following key elements:

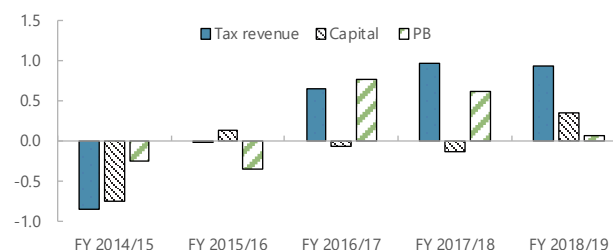
- Reductions in distortionary financial taxes and a higher general consumption tax (GCT) threshold.** The budget eliminates ad-valorem stamp duty, lowers the transfer tax from 5 percent to 2 percent, eliminates the minimum business tax, raises the GCT threshold for filing a return from J\$2 million to J\$10 million, and raises the estate tax threshold for deceased persons from J\$100,000 to J\$10 million. These tax cuts—supported by the widened tax base and sustained revenue over-performance—are expected to lower the cost of doing business, stimulate economic activity, and reduce informality. The higher GCT threshold is expected to allow tax administration to focus more on higher-risk taxpayers.
- An increase in spending on security, infrastructure, and poverty reduction.** The higher spending includes; (i) capital investments for security (e.g., vehicle and marine equipment, police station and correctional facility renovations, and barracks construction); (ii) school-related spending for the school-feeding program, exam fees, and rural transportation for children in

Budget FY19/20 tax measures

	J\$ Millions	% GDP
Reduce transfer tax on property from 5 to 2 percent	3,431	0.16
Reduce stamp duties	6,650	0.31
Eliminate Asset Tax on non-financial corporations	1,840	0.09
Eliminate Minimum Business Tax	1,093	0.05
Increase GCT threshold to J\$10 million	731	0.03
Increase threshold of estate tax for deceased person: from J\$100,000 to J\$10 million	287	0.01
Total	14,032	0.65

Sources: GOJ; and IMF Staff estimates

Budget Execution (in percent of GDP)



Sources: GOJ, IMF Staff calculations.

Note: FY2018/19 are projected amounts.

Selected Expenditure Items for Growth-enhancing Reforms

	J\$ (Millions)	%GDP
Security Spending	7,584	0.37
Acquisition of equipment	5,446	0.26
Improvement of correctional facilities	225	0.01
Construction/renovation of police stations and barracks	1,913	0.09
Infrastructure	1,700	0.08
Cornwall Regional Hospital	1,000	0.05
Rural Water Supply Systems	700	0.03
Social Protection	4,000	0.19
o/w PATH Cash Grants	808	0.04
o/w PATH (school feeding, transportation, exam fees)	727	0.04
o/w Citizen Security and Justice Programme	300	0.01
o/w Poverty Reduction Programme, Basic Needs Trust Fund,	885	0.04
Shelters for victims of domestic violence		
Grand Total	13,284	0.65

Sources: GOJ; IMF Staff estimates

PATH households (the conditional cash-transfer program); and (iii) infrastructure projects (Box 1).

- Under the revised baseline, the debt-to-GDP ratio is still expected to reach 60 percent of GDP by FY2025/26 as stipulated in the Fiscal Responsibility Law (Annex II).

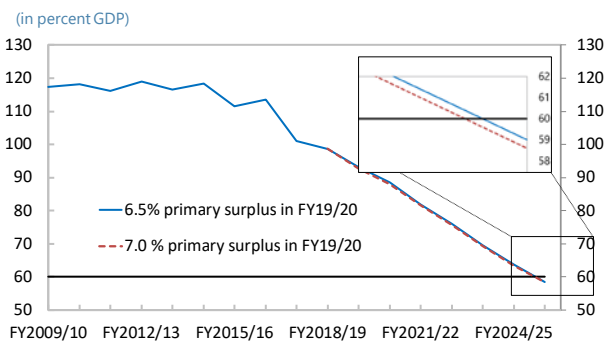
14. Sustained reduction in the public wage bill will require a fundamental transformation of the compensation framework and the public sector.

Delays in stakeholder consultations on the compensation reform will delay the Cabinet submission of a standardized pay scale from September to November 2019. It is still expected that a new compensation framework should be in place prior to the next round of wage negotiations (in 2021). The ongoing public-sector transformation has so far yielded only minimal fiscal savings. Greater efforts will be needed to strengthen the monitoring of public bodies, help address governance issues (¶18), and reprioritize fiscal resources toward growth-enhancing spending and social projects.

15. Fiscal risks require careful monitoring.

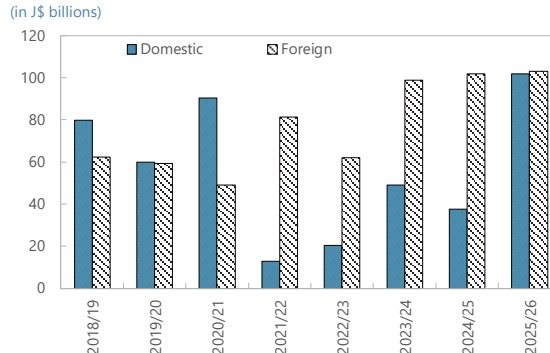
- Parliament recently passed legislation to take over Venezuela’s 49 percent stake in Petrojam. Uncertainty related to the future of the company’s operations creates fiscal risks. The forthcoming report by the Petrojam Review Commission is expected to guide the next steps, including for the operational and financial viability of the company.
- Commitment by the revenue authorities to risk-based audits and strong revenue and customs administration are essential for continued robust tax performance and to prevent tax leakages from the now operational Special Economic Zones.
- The debt profile is vulnerable to exchange rate and growth risks (Annex II). Further development of the domestic bond market could alleviate this risk; liability management exercises could help smooth future lumpy amortizations.

Gross Nominal Public Debt



Sources: GOJ; IMF Staff estimates
 Note: Primary balance assume to be 6.5 percent from FY2020/21 to FY2023/24, and 6 percent beyond that.

Government amortization



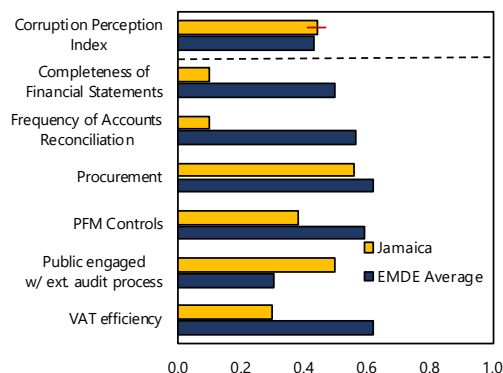
Sources: GOJ, IMF staff calculations

IMPROVING GOVERNANCE

16. There are serious shortcomings in the governance of public bodies, public financial management (PFM), and the effectiveness of the AML/CFT framework. Jamaica fares relatively poorly on corruption-correlated measures such as PFM and public corporate governance with potentially significant implications for growth. (Annex I).

- Recent findings on the governance of public bodies highlight longstanding weaknesses. For example, a comprehensive audit of Petrojam by the Auditor General found multiple deficiencies in governance, procurement, management of capital investment, and employment practices. Problems have also been identified in Dunn's River Falls (a popular tourist attraction managed by a public body) and the Students' Loan Bureau (a statutory public body where the entire Board was recently replaced due to concerns over governance and management practices).
- Better monitoring of public funds would improve longstanding gaps in transparency and accountability. Currently, only budget execution reports are published on a monthly basis, whereas audited financial statements are essential to fully understand the state of government finances. In addition, there are over 3,000 commercial bank accounts with substantial government funds (around 2 percent of GDP) outside the treasury single account (TSA), of which 2,000 accounts are university, college, and school accounts. While the current legal framework allows for these 2,000 accounts to reside outside the TSA, oversight risks are compounded because government and donor funds (i.e., alumni and parent associations) are comingled.

Jamaica: Corruption Perception and Correlated Indicators
(Index value, EMDEs)



Sources: World Bank Doing Business Indicators; World Bank Benchmarking Public Procurement Database; PEFA; Transparency International Corruption Perception Index; and IMF staff estimates. Notes: Transparency International Corruption Perception Index is an indicator that measures perception of corruption. A higher value represents lower perceived levels of corruption. The accuracy of the index can be biased by experts' views (instead of facts on corruption). Non-IMF indicators provide qualitative information about corruption. They do not represent the IMF's assessment of the level of corruption in Jamaica.

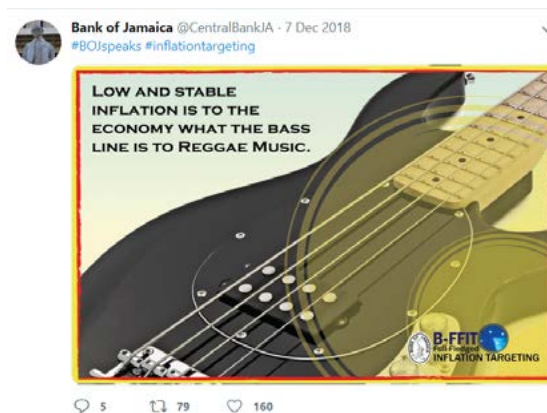
17. Deficiencies in the AML/CFT framework need to be addressed before the end of Jamaica's observation period under the enhanced CFATF follow-up process. The progress reports detailing advancements in the various identified deficiencies will be discussed in 2020. Addressing deficiencies is critical, including non-compliance pertaining to targeted financial sanctions for terrorism and terrorism financing and low effectiveness in encouraging remaining financial and non-financial institutions to apply AML/CFT preventative measures, fully disclosing beneficial ownership, and investigating and prosecuting money laundering offenses.

18. The authorities fully recognize the macro-criticality of governance (Annex I). Several actions are already underway including policies to address governance in Petrojam and public bodies more generally. The GOJ is also committed to the following measures, with the precise implementation timeline contingent on the capacity and legislative agenda already in the pipeline.

- Ensuring that the newly created Integrity Commission is properly staffed and empowered to carry out its functions including the investigation and prosecution of alleged or suspected acts of corruption and monitoring the award and discharge of government contracts.
- Introducing regular reporting and monitoring of the commercial bank accounts of ministries, departments, and agencies; migrating and closing 632 (20 percent) commercial bank accounts with government cash balances into an account held at the BOJ by September 2019.
- Passing regulations to enact recent policies that allow for the following: a transparent and competency-based corporate board appointment process for public bodies' boards; board continuity through election cycles for large and/or commercial public entities; and regular board performance evaluations (LOI).
- Accelerating actions to streamline the existing 162 public bodies by merging/closing/reintegrating/privatizing in a manner that prioritizes government functions (based on Jamaica's public service needs and fiscal affordability). Authorities are committed to taking action on 18 public bodies by September 2019.
- Finalizing amendments to the Proceeds of Crime Act to comply with the recommendations contained in the last FATF Mutual Evaluation Report, by the end of the FATF observation period in October 2019.

COMPLETING THE TRANSITION TO INFLATION TARGETING

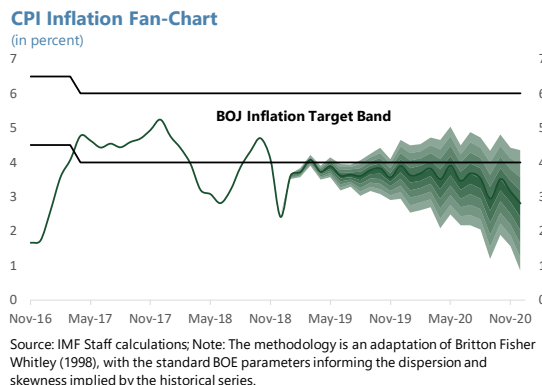
19. The BOJ's recent advances in communication should continue to stress the central bank's commitment to its inflation mandate. The BOJ's communication strategy—in line with Fund technical assistance—has been effective in reaching the broader public with clear messaging on the benefits of inflation targeting. The BOJ must also establish clear communication channels among policy and operational units to interact with external stakeholders—especially with the FX market, including on the development of hedging instruments (¶122).



Source: Twitter

20. Further monetary loosening is warranted to bring inflation back to the mid-point of the BOJ's target band.

Inflation remains stubbornly low and risks are stacked to the downside. Given the weak monetary transmission, further rate cuts should be considered in conjunction with other policy levers. In this regard, the BOJ's recent reduction in the reserve requirement on J\$ deposits (from 12 to 9 percent) should help provide further monetary accommodation. Additional rate cut decisions should also carefully assess incoming information, especially oil prices and global financial conditions.



21. Refinements to the BOJ's monetary operations framework could improve monetary transmission and deepen financial intermediation.

The BOJ should phase out the distortive regulatory liquid asset requirement (LAR) that leads banks to hold high amounts of short-duration public securities, and simultaneously introduce a liquidity coverage ratio for banks (124). The BOJ should also introduce monthly averaging in the application of its reserve requirements to help banks better manage their asset portfolio. The recently introduced standard deposit facility should improve monetary operations and is preferable to issuing overnight CDs to banks.

22. The BOJ is taking steps to reduce its FX market footprint.

- For consistent monetary policy signaling, the BOJ should limit its FX sales operations to flash auctions if there are severe market dislocations. The BOJ is considering phasing out direct FX sales to public enterprises—requiring these entities to purchase FX in the market—and eventually further lowering the surrender requirement on FX transactions.
- BOJ reserve accumulation objectives should underpin its FX market purchases. If reserve accumulation needs arise, the BOJ should communicate transparently and plan small and regular FX buy auctions so as to minimize its market impact.
- BOJ regulations, monitoring, and enforcement of FX net open position limits should be strengthened (for both banks and cambios). Work is ongoing to introduce a trading platform, publish market conduct guidelines, and develop regulations for the use of FX derivatives.

FINANCIAL STABILITY AND GROWTH

23. Market development initiatives are critical to ensure financial deepening and broader credit intermediation (Box 2). The authorities should further aim to: (i) improve coordination between the GOJ and BOJ on issuances to support primary dealers' market making activities; (ii) reinforce liability management decisions by gathering market intelligence and aligning issuances with market supply and demand trends; and (iii) establish a trading platform to help price discovery and boost liquidity and secondary market trading in GOJ securities. These efforts, along with

increased ratings activity for new corporate issuances, will support a deeper and more accessible domestic debt market.

24. Safeguarding stability requires better coordination among regulatory and supervisory institutions, enhancing their capacity, and upgrading important prudential requirements. Key elements of the authorities' reform agenda include:

- Developing a risk-based consolidated supervision framework for financial conglomerates. This will require better coordination between the BOJ and the Financial Services Commission (FSC), including for data collection, sharing, and monitoring. Continuing securities dealers' reforms to the Retail Repo Mismatch Ratio remains critical.
- Accelerating the development of a comprehensive legislation for the Special Resolution Regime (SRR) for submission to Parliament by September 2019, that includes (i) the administrative resolution regime, (ii) a specialized insolvency framework, and (iii) funding modalities.
- Developing firm and group-level recovery planning that is coordinated with the ongoing consolidated risk-based supervision pilot.
- Strengthening the AML/CFT regime, which will require the BOJ and the FSC to work closely with the Financial Investigation Division of the Finance Ministry to institute safeguards to ensure that legal persons are prevented from being misused for ML/TF purposes, particularly by requiring that beneficial ownership information of legal persons be accessible.
- Swiftly introducing a liquidity coverage ratio for banks—in line with recent IMF technical assistance recommendations and FSAP findings—to bolster liquidity risk management and support the government securities market development.

DATA ISSUES

25. Meeting Special Data Dissemination Standards Subscription requirements necessitates boosting statistical agency (STATIN) resources. Ongoing work at STATIN to strengthen quality and timeliness of data should continue. The recent large and repeated revisions in the historical trade data call for better collection and coordination among Jamaica Customs Agency, STATIN, and the BOJ. The BOJ should continue upgrading capacity and coordinate with the FSC to produce consistent data for other financial corporations. In addition to the quarterly supply-side GDP data, routine publication of the quarterly expenditure GDP figures, expected in 2020, will further support policymaking.

PROGRAM ISSUES

26. The program is fully financed and Jamaica's capacity to repay the Fund is adequate. While the SBA has remained precautionary, under a downside scenario with a fully drawn SBA, debt

service would peak in 2023 at 19 percent of exports of goods and services (6.5 percent of GDP). If undrawn, debt service would peak at 3 percent of exports (1 percent of GDP).

27. Implementation of safeguards recommendations is underway. Proposed amendments to the BOJ Act have been submitted to Parliament. There is however scope to accelerate strengthening the internal audit function's reporting practices. The BOJ is developing formalized procedures for compiling monetary data, with support from Fund technical assistance to ensure alignment with Monetary and Financial Statistics Manual methodology.

28. Modifications to the definition of external arrears and non-borrowed net international reserves are proposed. To account for funds deposited into escrow to meet any contractual debt obligations that cannot be settled due to international and/or bilateral sanctions, staff proposes to modify the definition of non-borrowed net international reserves and external arrears. Staff also proposes to remove the adjustor for the Petrojam loan, since the government's loan to Petrojam was not executed.

STAFF APPRAISAL

29. Strong reform implementation is anchoring macroeconomic stability.

After commendable performance under two successive Fund arrangements since May 2013, requiring tough reforms to imbed fiscal discipline, Jamaica's public debt is projected to fall below 100 percent of GDP in FY18/19 for the first time since FY2000/01. The unemployment rate is at an all-time low, inflation is low albeit below the BOJ target range, FX reserves are comfortable, and even growth is slowly rising. Program implementation remains steadfast, with all QPCs, indicative targets, and the structural benchmark for tabling of amendments to the BOJ Act in Parliament by end-October was met.

30. Achieving higher growth calls for action from both the public and private sector. For its part, the GOJ's FY19/20 budget is providing an important boost to growth and social support—by providing resources for security, infrastructure, school meals and transportation—without compromising the medium-term public debt anchor. The cuts to distortionary financial taxes will help support economic activity and job creation. The private sector, for its part, should capitalize on these tax and spending measures to increase investment, and create new opportunities for advancing financial inclusion.

31. Public sector governance shortcomings should be immediately addressed. This could be achieved, in part, by (i) empowering the Integrity Commission, (ii) passing regulations to solidify a transparent and competency-based process for board appointments to public bodies' boards, (iii) migrating funds from the government's commercial bank accounts to the TSA and closing those accounts, and (iv) reducing the number of public bodies.

32. Further monetary loosening is needed to restore inflation to the midpoint of the 4–6 percent target range. The BOJ's recent reduction in the reserve requirement on J\$ deposits will help make policy accommodative but further rate cuts are likely to be needed. In deciding further

policy loosening, the BOJ should carefully assess all incoming data. The BOJ should also continue to reduce its FX market footprint and assess the need for further reductions in reserve requirements.

33. Strengthening coordination between the BOJ and FSC and increasing capacity in both institutions is paramount to maintain financial sector stability. Risk-based supervision of financial conglomerates requires the methodical collection, sharing, and monitoring of data and lending standards. Joint work among the regulators will be required to draft legislation for the special resolution regime and to address AML/CFT deficiencies.

34. An ongoing commitment to strengthen domestic institutions is needed as Jamaica prepares to exit from the Fund financial arrangement later this year. Laying the groundwork for the Fiscal Council, amendments to the BOJ Act for its operational autonomy, and a disaster resilience policy framework are steps in this direction. Overhauling the public sector compensation structure by streamlining allowances and making it performance-based, prioritizing and reducing government functions and size, and upgrading public bodies' governance are critical for fiscal sustainability.

35. Based on the program performance and the authorities' policy commitments, staff supports the authorities' request to complete the fifth review under the SBA, and their request to modify the definitions of the QPCs on external arrears and non-borrowed net international reserves.

Box 1. Closing Jamaica's Infrastructure Gap

Central Government capital expenditures have been relatively low in Jamaica over the past 3 decades, reflecting limited fiscal space, a large non-discretionary spending envelope, as well as structural deficiencies in the public investment process. Going forward, a continued reduction in public debt, savings on the wage bill, and an improved procurement process and budget execution should help close the country's gap in resilient infrastructure.

Central Government capital expenditure in Jamaica has fallen as a share of GDP, after reaching double digits in the 1970s and 1980s. The downward trend in capital spending partly reflects limited fiscal space as public debt levels rose. Even with the recent increases, public investment is low compared to peer countries. Natural disasters have put additional strains on the already low capital stock, constraining Jamaica's growth potential.

Public investment has historically taken a disproportionate hit in budget execution. Until recently, optimistic revenue projections typically meant postponement of public investment projects as revenues fell short of target with constraints from high non-discretionary recurrent expenditure, including wages and interest payments.

Only up to a third of the public investment envelop has been allocated to infrastructure. Despite tripling over the last 3 years, infrastructure spending remains low at about one percent of GDP, partly reflecting procurement inefficiencies. Non-infrastructure public investment extends to national security capital spending, including the purchase of equipment to better fight crime.

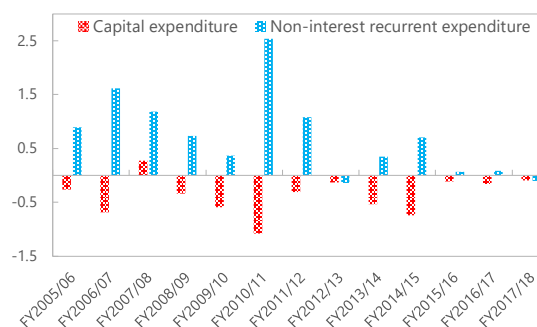
In the last three years, the GOJ has made notable progress to boost capital expenditures. With revenue consistently over-performing budget projections, more resources have become available to fund infrastructure. Through end-January 2019, public investment exceeded the original budget target by over 10 percent, supported by major infrastructure projects before the expiration of the associated external financing. The recently adopted budget for FY19/20 also includes increased allocation for investment in national security and infrastructure.

The recent amendments to the Procurement Act

(2018) are expected to improve the implementation of projects. Continued strategic public investment planning through the Public Investment Management System (PIMS) should further prioritize projects across GOJ's entities and limit discretion over their execution once budgeted and approved.

The potential increase in the frequency of natural disasters puts an extra premium on building and maintaining resilient infrastructure. Such investments will become increasingly possible as public debt continues to trend down and Jamaica fundamentally transforms its public sector to channel resources towards growth-enhancing spending.

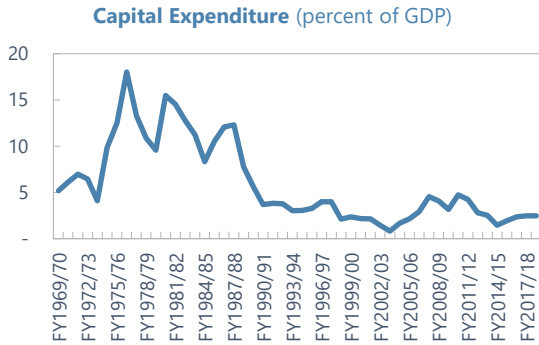
Deviations from budget
(in percent of GDP)



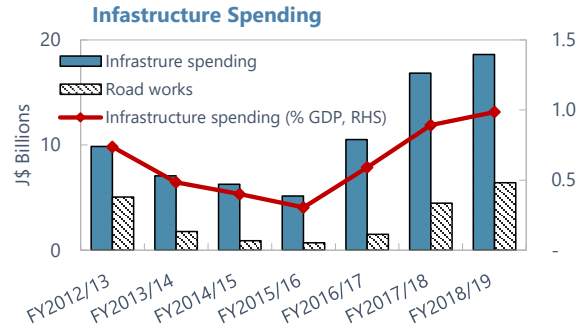
Sources: Ministry of Finance and staff calculations

Box 1. Closing Jamaica's Infrastructure Gap (Concluded)

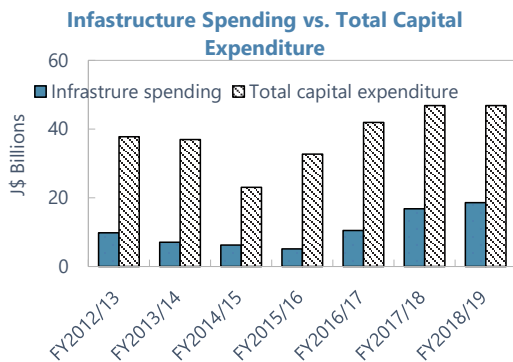
Capital expenditure has fallen after reaching double digits in the 1970s and 80s.



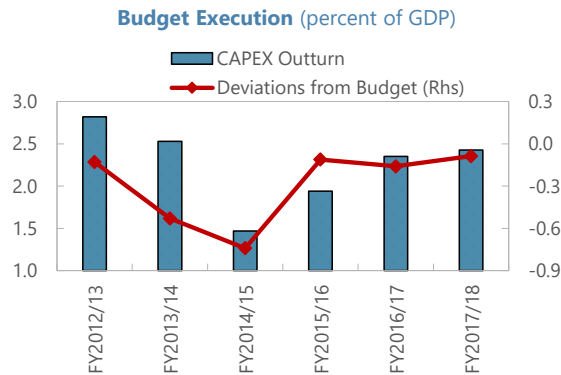
Despite tripling over the last 3 years, infrastructure spending remains low at only about 1 percent of GDP...



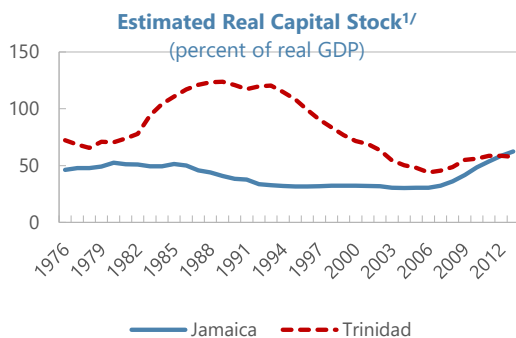
...with most of capital expenditure allocated to non-infrastructure outlays.



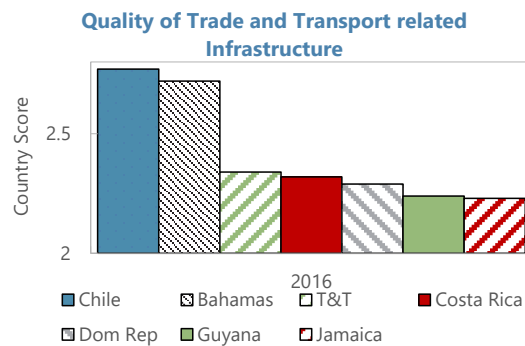
The execution of the capital budget has improved in recent years.



While Jamaica's public capital stock has caught up with regional comparators such as Trinidad...



...the quality of trade and transport related infrastructure remains relatively weak.



Sources: Ministry of Finance, IMF's public capital stock database, Penn World Table, and The World Bank.

^{1/}Public capital stock for Jamaica (not available in the IMF's FAD database) is constructed using the perpetual inventory method, based on historical public investment flows from the Jamaica's budget documents, and the Penn World Table.

Note: Non-infrastructure related capital spending includes security equipment, vehicles, and capital goods.

Box 2. Public Debt Securities Market Development

There are some key inefficiencies in the domestic currency government securities market.

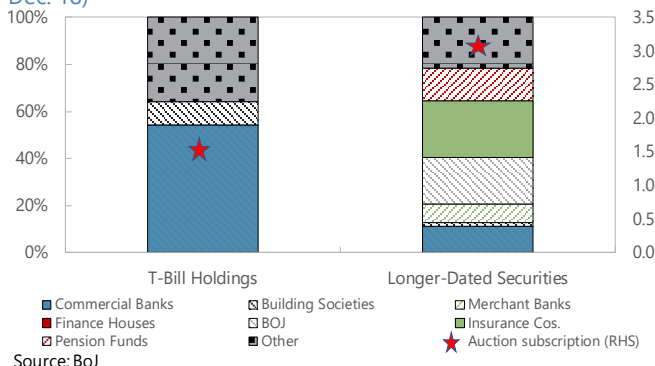
Demand for liquid government securities remains elevated among financial institutions (FIs), with over-subscription in both T-bills and longer-dated securities and hoarding by larger FIs to meet high liquid asset requirements (23 percent of deposits after the recent 3 percent reduction in CRR) and regulatory collateral needs. This elevated demand, combined with a scarcity of shorter-dated securities is depressing the shorter end of the yield curve, at times below the policy rate, adversely impacting effective functioning of the interbank and secondary markets. At the same time, primary market activity remains subdued, amid inefficiencies, reduced supply and weak participation by the primary dealers (PDs). This, combined with limited secondary market trading, is affecting the development of a debt market.

Debt market development requires additional and well-sequenced reforms.

- In the short-term, increase issuance of short-dated securities via a coordinated BOJ/MOF strategy to satiate the demand for liquid assets.
- Transitioning from a liquid asset ratio (LAR) to the liquidity coverage ratio (LCR) will alleviate the elevated demand for liquid assets in the medium-term.
- Review the design and implementation of the PD system—such as establishing a PD Advisory Group chaired by MOF with BOJ as a technical advisor—and refine the PDs’ agreement pertaining to obligations and privileges.
- Issue marketable securities of shorter-tenor by the GOJ to recapitalize the BOJ and allow the BOJ to use these in open market operations and/or securities lending operations to enhance secondary market liquidity.
- In the medium-term, gradually refinance FX debt to J\$ debt to help develop the benchmark yield curve and deepen the secondary market.
- Enhance the BOJ’s and MOF’s capacity for gathering market intelligence and launch an electronic trading platform to help improve secondary market trading and transparency.

Holdings of GoJ Securities and Demand

(Holding in percent of total, Demand in times oversubscribed, Dec. 18)



Yield Curve and Interest Rates

(In percent)

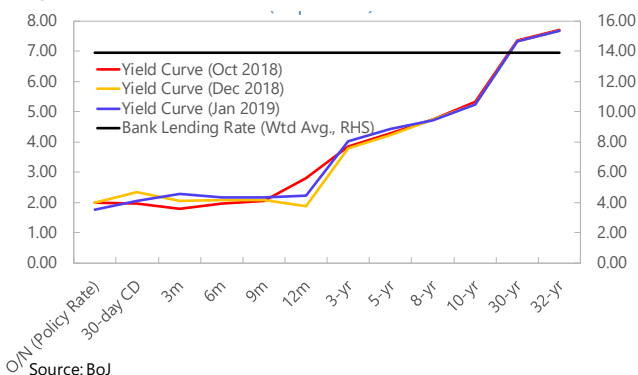


Table 1. Jamaica: Selected Economic Indicators 1/

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 (2016): 87%/17.1%
 Unemployment rate (Oct. 2018): 8.7%

	2016/17	Est. 2017/18	Prog. 2018/19	2018/19	2019/20	Projections 2020/21	2021/22	2022/23	2023/24
(Annual percent change, unless otherwise indicated)									
GDP and prices									
Real GDP	1.4	0.9	1.4	1.5	1.5	1.9	2.1	2.3	2.4
Nominal GDP	5.9	7.9	5.5	5.4	6.2	7.0	7.2	7.5	7.6
Consumer price index (end of period)	4.1	4.0	4.7	4.0	4.3	5.0	5.0	5.0	5.0
Consumer price index (average)	2.4	4.6	3.7	3.5	4.2	4.7	5.0	5.0	5.0
Exchange rate (end of period, J\$/US\$)	128.7	126.0	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	126.5	128.0	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	5.4	-2.1	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-2.6	3.2	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	6.3	5.1	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	6.1	5.1	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	12.7	9.7	...	...	...	...	...	...	...
(In percent of GDP)									
Government operations									
Budgetary revenue	27.9	29.0	29.8	30.8	29.4	28.7	28.3	28.1	28.0
<i>Of which:</i> Tax revenue 4/	25.7	25.7	25.9	26.6	26.3	25.8	25.5	25.5	25.5
Budgetary expenditure	28.1	28.6	29.6	30.6	29.2	28.0	27.3	26.7	26.0
Primary expenditure	20.3	21.6	22.8	23.8	23.0	22.2	21.8	21.6	21.5
<i>Of which:</i> Wages and salaries	9.3	9.2	9.1	9.0	9.0	9.0	8.8	8.8	8.8
Interest payments	7.8	7.0	6.8	6.8	6.3	5.9	5.5	5.1	4.5
Budget balance	-0.2	0.5	0.2	0.2	0.2	0.6	1.0	1.4	2.0
<i>Of which:</i> Central government primary balance	7.6	7.5	7.0	7.0	6.5	6.5	6.5	6.5	6.5
Public entities balance 8/	2.0	0.6	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	0.2	-0.2	0.2	0.6	1.0	1.4	2.0
Public debt (FRL definition) 4/ 6/	113.6	101.1	99.6	98.7	93.3	88.5	81.9	76.0	69.5
Public debt (EFF definition) 5/ 7/	121.7	109.1	105.8	105.1	96.1	90.8	83.4	76.7	69.5
External sector									
Current account balance	-1.2	-3.0	-5.0	-2.5	-2.9	-2.7	-2.8	-2.9	-3.0
<i>Of which:</i> Exports of goods, f.o.b.	8.8	9.5	10.8	10.8	10.1	10.2	10.2	10.2	10.1
Exports of services	15.7	14.2	14.5	14.1	14.9	15.0	14.7	14.4	14.2
Imports of goods, f.o.b.	30.1	33.5	36.9	33.7	33.6	33.1	33.0	32.6	32.2
Imports of services	21.2	20.6	21.1	20.8	22.6	23.3	22.9	22.6	22.3
Net international reserves (US\$ millions)	2,769	3,075	2,965	2,834	3,155	3,485	3,556	3,717	3,689
<i>of which:</i> non-borrowed	1,944	2,398	2,454	2,353	2,825	3,169	3,409	3,591	3,672
(Changes in percent of beginning of period broad money)									
Money and credit									
Net foreign assets	0.4	12.8	2.8	-0.8	7.0	7.1	2.8	4.5	1.6
Net domestic assets	20.3	6.1	2.7	6.2	-0.8	-0.1	4.4	3.0	5.9
<i>Of which:</i> Credit to the private sector	26.5	14.8	7.8	7.1	8.1	8.6	9.6	11.3	11.8
Credit to the central government	-0.4	5.6	2.8	7.0	3.1	-1.5	0.1	-0.1	0.0
Broad money	20.7	18.9	5.5	5.4	6.2	7.0	7.2	7.5	7.6
Memorandum item:									
Nominal GDP (J\$ billions)	1,789	1,930	2,039	2,034	2,160	2,311	2,478	2,663	2,864

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 refinancing 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)

	2015/16	2016/17	Est.	Prog.	Projections					
			2017/18	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Budgetary revenue and grants	455,836	499,880	560,773	607,055	626,401	635,520	662,307	700,854	748,691	801,249
Tax	413,971	460,264	497,022	527,076	540,276	567,175	595,338	632,822	679,544	730,937
<i>Of which:</i>										
Income and profits	130,760	136,025	131,111	140,604	143,841	160,217	165,937	173,154	185,926	199,890
<i>Of which:</i> Other companies	42,282	51,791	61,507	63,244	64,170	70,167	75,076	76,663	83,203	91,285
PAYE	71,966	64,955	53,662	55,856	57,117	64,273	68,082	73,016	78,461	84,394
Production and consumption	133,557	147,937	175,339	183,696	190,616	192,793	200,072	213,220	228,467	245,268
<i>Of which:</i> GCT (Local)	72,745	78,175	90,817	95,788	100,491	109,314	116,235	124,246	133,022	142,773
International Trade	144,706	171,189	186,814	198,822	201,867	210,176	225,062	241,873	260,239	280,497
<i>Of which:</i> GCT (Imports)	65,806	73,735	78,925	84,066	85,669	88,901	95,948	103,293	110,459	119,246
Non-tax 1/	36,401	34,323	58,137	70,688	77,187	62,709	60,939	61,565	62,198	62,838
Grants	5,463	5,293	5,614	9,291	8,938	5,636	6,030	6,467	6,949	7,474
Budgetary expenditure	460,720	503,356	552,050	603,426	622,364	631,192	647,917	675,833	711,983	744,169
Primary expenditure	335,040	364,000	416,869	465,357	483,998	496,201	512,110	539,772	575,597	615,066
Compensation of employees	168,787	179,068	192,284	201,755	200,488	210,521	224,603	235,527	253,090	272,229
Wage and salaries 6/	163,518	166,485	177,366	186,465	183,411	194,028	207,966	218,080	234,343	252,064
Employer contributions	5,270	12,583	14,917	15,290	17,077	16,492	16,637	17,446	18,747	20,165
Programme expenditure	133,506	142,976	177,779	198,442	216,550	213,454	211,253	219,986	226,640	236,856
Capital expenditure	32,747	41,955	46,806	65,160	66,960	72,226	76,254	84,258	95,867	105,981
Interest	125,680	139,356	135,181	138,069	138,366	134,992	135,807	136,061	136,385	129,103
Domestic	71,391	63,544	63,783	58,257	58,483	52,630	51,654	51,927	52,292	49,390
External	54,288	75,812	71,398	79,812	79,883	82,361	84,154	84,134	84,093	79,712
Budget balance	-4,884	-3,476	8,723	3,629	4,037	4,328	14,390	25,021	36,709	57,081
<i>Of which:</i> Primary budget balance	120,796	135,880	143,904	141,698	142,403	139,319	150,197	161,082	173,094	186,183
Public entities balance 7/ 8/	31,199	36,263	11,394	0	-8,600	0	0	0	0	0
Public sector balance	26,315	32,787	20,117	3,629	-4,563	4,328	14,390	25,021	36,709	57,081
Principal repayments	312,923	75,390	232,290	151,305	153,157	140,930	181,734	152,997	134,506	212,241
Domestic	216,043	29,710	168,628	89,106	89,670	79,328	121,972	59,588	54,417	94,248
External	96,881	45,680	63,662	62,199	63,487	61,602	59,761	93,409	80,089	117,992
Gross financing needs	317,807	78,866	223,567	147,677	182,720	161,624	192,344	127,976	97,798	155,160
Gross financing sources	317,807	78,866	223,724	147,677	182,720	161,624	192,344	127,976	97,798	155,160
Domestic	21,011	70,059	82,435	70,879	97,800	78,890	140,656	80,151	51,920	89,808
<i>Of which:</i> compensatory flows from PCDF 8/	5,938	11,632	8,175	20,258	15,060	18,463	5,830	22,238	4,561	12,000
External	267,766	34,362	133,313	48,176	36,320	57,734	51,688	47,825	45,877	65,352
<i>Of which:</i> Official	30,231	31,841	28,213	42,965	35,295	56,401	50,260	46,498	44,381	11,286
Divestment + deposit drawdown	29,030	-25,555	7,976	28,621	48,600	25,000	0	0	0	0
Memorandum items:										
Nominal GDP (billion J\$)	1,688	1,789	1,930	2,039	2,034	2,160	2,311	2,478	2,663	2,864
Public sector debt (FRL definition, billion J\$) 2/ 4/	...	2,033	1,952	2,030	2,007	2,014	2,045	2,031	2,025	1,990
Public sector debt (EFF definition, billion J\$) 3/ 5/	2,048	2,177	2,107	2,157	2,137	2,076	2,098	2,067	2,043	1,991

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/ 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.

8/ The decline FY18/19 public entities and public sector balances reflects a one-time dividend payment by PetroCaribe to the central government financed by a drawdown in PetroCaribe's financial assets. As of FY2019/20 the central government includes PCDF. Compensatory inflows will continue as the government gradually unwinds PCDF asset position.

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

	Est.		Prog.	Projections					
	2016/17	2017/18	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Budgetary revenue and grants	27.9	29.0	29.8	30.8	29.4	28.7	28.3	28.1	28.0
Tax	25.7	25.7	25.9	26.6	26.3	25.8	25.5	25.5	25.5
<i>Of which:</i>									
Income and profits	7.6	6.8	6.9	7.1	7.4	7.2	7.0	7.0	7.0
<i>Of which:</i> Other companies	2.9	3.2	3.1	3.2	3.2	3.2	3.1	3.1	3.2
PAYE	3.6	2.8	2.7	2.8	3.0	2.9	2.9	2.9	2.9
Production and consumption	8.3	9.1	9.0	9.4	8.9	8.7	8.6	8.6	8.6
<i>Of which:</i> GCT (Local)	4.4	4.7	4.7	4.9	5.1	5.0	5.0	5.0	5.0
International Trade	9.6	9.7	9.8	9.9	9.7	9.7	9.8	9.8	9.8
<i>Of which:</i> GCT (Imports)	4.1	4.1	4.1	4.2	4.1	4.2	4.2	4.1	4.2
Non-tax ^{1/}	1.9	3.0	3.5	3.8	2.9	2.6	2.5	2.3	2.2
Grants	0.3	0.3	0.5	0.4	0.3	0.3	0.3	0.3	0.3
Budgetary expenditure	28.1	28.6	29.6	30.6	29.2	28.0	27.3	26.7	26.0
Primary expenditure	20.3	21.6	22.8	23.8	23.0	22.2	21.8	21.6	21.5
Compensation of employees	10.0	10.0	9.9	9.9	9.7	9.7	9.5	9.5	9.5
Wage and salaries ^{6/}	9.3	9.2	9.1	9.0	9.0	9.0	8.8	8.8	8.8
Employer contribution	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Programme expenditure	8.0	9.2	9.7	10.6	9.9	9.1	8.9	8.5	8.3
Capital expenditure	2.3	2.4	3.2	3.3	3.3	3.3	3.4	3.6	3.7
Interest	7.8	7.0	6.8	6.8	6.3	5.9	5.5	5.1	4.5
Domestic	3.6	3.3	2.9	2.9	2.4	2.2	2.1	2.0	1.7
External	4.2	3.7	3.9	3.9	3.8	3.6	3.4	3.2	2.8
Budget balance	-0.2	0.5	0.2	0.2	0.2	0.6	1.0	1.4	2.0
<i>Of which:</i> Primary budget balance	7.6	7.5	7.0	7.0	6.5	6.5	6.5	6.5	6.5
Public entities balance ^{7/ 8/}	2.0	0.6	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	0.2	-0.2	0.2	0.6	1.0	1.4	2.0
Principal repayments	4.2	12.0	7.4	7.5	6.5	7.9	6.2	5.1	7.4
Domestic	1.7	8.7	4.4	4.4	3.7	5.3	2.4	2.0	3.3
External	2.6	3.3	3.1	3.1	2.9	2.6	3.8	3.0	4.1
Gross financing needs	4.4	11.6	7.2	9.0	7.5	8.3	5.2	3.7	5.4
Gross financing sources	4.4	11.6	7.2	9.0	7.5	8.3	5.2	3.7	5.4
Domestic	3.9	4.3	3.5	4.8	3.7	6.1	3.2	1.9	3.1
<i>Of which:</i> compensatory flows from PCDF ^{8/}	0.7	0.4	1.0	0.7	0.9	0.3	0.9	0.2	0.4
External	1.9	6.9	2.4	1.8	2.7	2.2	1.9	1.7	2.3
<i>Of which:</i> Official	1.8	1.5	2.1	1.7	2.6	2.2	1.9	1.7	0.4
Divestment + deposit drawdown	-1.4	0.4	1.4	2.4	1.2	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP (billion J\$)	1,789	1,930	2,039	2,034	2,160	2,311	2,478	2,663	2,864
Public sector debt (FRL definition, billion J\$) ^{2/ 4/}	2,033	1,952	2,030	2,007	2,014	2,045	2,031	2,025	1,990
Public sector debt (EFF definition, billion J\$) ^{3/}	2,177	2,107	2,157	2,137	2,076	2,098	2,067	2,043	1,991
Public sector debt (FRL definition) ^{2/ 4/}	113.6	101.1	99.6	98.7	93.3	88.5	81.9	76.0	69.5
Public sector debt (EFF definition) ^{3/ 5/}	121.7	109.1	105.8	105.1	96.1	90.8	83.4	76.7	69.5

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/} 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.

^{8/} The decline FY18/19 public entities and public sector balances reflects a one-time dividend payment by PetroCaribe to the central government financed by a drawdown in PetroCaribe's financial assets. As of FY2019/20 the central government includes PCDF. Compensatory inflows will continue as the government gradually unwinds PCDF asset position.

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars				In percent of GDP				
	2015/16	2016/17	2017/18	2018/19	2014/15	2015/16	2016/17	2017/18	2018/19
				latest					latest
Operating balance selected public entities 1/	55.4	79.3	75.2	58.6	2.3	3.3	4.4	3.9	2.9
<i>Of which:</i>									
Airports Authority of Jamaica	3.6	4.0	7.0	5.2	0.1	0.2	0.2	0.4	0.3
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-0.8	-0.8	1.3	2.9	-0.2	0.0	0.0	0.1	0.1
Development Bank of Jamaica	0.4	0.8	0.4	0.3	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	2.2	2.2	1.6	0.7	0.1	0.1	0.1	0.1	0.0
Housing Agency of Jamaica	0.7	0.4	0.5	-0.3	0.0	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	-1.4	-2.4	-3.0	-3.5	-0.2	-0.1	-0.1	-0.2	-0.2
National Housing Trust	18.7	23.4	21.0	14.9	1.2	1.1	1.3	1.1	0.7
National Insurance Fund	2.3	3.6	4.0	1.2	0.1	0.1	0.2	0.2	0.1
NROCC	-3.9	-4.2	-0.8	-0.8	-0.4	-0.2	-0.2	0.0	0.0
National Water Commission	5.3	4.9	4.4	1.3	0.2	0.3	0.3	0.2	0.1
Petrojam Ethanol	-0.4	0.0	0.4	0.5	0.0	0.0	0.0	0.0	0.0
Petrojam	24.4	41.3	33.9	33.9	0.8	1.4	2.3	1.8	1.7
Petroleum Corporation of Jamaica	-0.7	0.6	0.1	-0.9	0.1	0.0	0.0	0.0	0.0
Port Authority of Jamaica	4.9	5.0	4.2	3.4	0.4	0.3	0.3	0.2	0.2
Urban Development Corporation	-0.1	0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Net current transfers from the central government	-29.2	-40.3	-54.6	-28.5	-1.4	-1.7	-2.3	-2.8	-1.4
<i>Of which:</i>									
Airports Authority of Jamaica	-0.7	-0.9	-1.5	-0.6	0.0	0.0	-0.1	-0.1	0.0
Caymanas Track Limited	0.0	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	0.0
Development Bank of Jamaica	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	-1.3	-1.0	-1.1	-0.8	-0.1	-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	0.0
Jamaica Mortgage Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	3.0	3.3	0.0	3.4	0.5	0.2	0.2	0.0	0.2
National Housing Trust	-11.4	-12.4	-11.4	-6.9	-0.7	-0.7	-0.7	-0.6	-0.3
National Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NROCC	4.3	4.6	0.0	4.6	0.3	0.3	0.3	0.0	0.2
National Water Commission	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam Ethanol	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam	-24.0	-33.9	-40.2	-28.8	-1.5	-1.4	-1.9	-2.1	-1.4
Petroleum Corporation of Jamaica	0.7	-0.5	-0.1	0.6	0.0	0.0	0.0	0.0	0.0
Port Authority of Jamaica	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Urban Development Corporation	0.2	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Overall balance selected public entities	16.0	11.8	-0.3	6.9	-0.3	1.0	0.7	0.0	0.3
<i>Of which:</i>									
Airports Authority of Jamaica	2.3	2.4	4.7	3.5	0.0	0.1	0.1	0.2	0.2
Caymanas Track Limited	0.0	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.1
Clarendon Aluminum	-0.9	-2.5	1.2	0.2	-0.3	-0.1	-0.1	0.1	0.0
Development Bank of Jamaica	0.3	0.7	0.3	-0.5	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	0.5	0.8	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0
Housing Agency of Jamaica	0.1	0.6	1.0	0.0	0.0	0.0	0.0	0.1	0.0
Jamaica Mortgage Bank	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	0.1	0.3	-0.1	-3.0	0.0	0.0	0.0	0.0	-0.1
National Housing Trust	4.0	1.4	-3.7	1.2	0.0	0.2	0.1	-0.2	0.1
National Insurance Fund	2.3	3.6	4.0	3.7	0.1	0.1	0.2	0.2	0.2
NROCC	0.1	0.3	3.4	-2.8	-0.1	0.0	0.0	0.2	-0.1
National Water Commission	-0.7	0.4	0.9	0.5	-0.2	0.0	0.0	0.0	0.0
Petrojam Ethanol	-0.2	0.0	0.3	3.6	0.0	0.0	0.0	0.0	0.2
Petrojam	5.0	-0.1	-8.3	-0.3	-0.3	0.3	0.0	-0.4	0.0
Petroleum Corporation of Jamaica	0.0	0.1	1.0	-1.4	0.0	0.0	0.0	0.1	-0.1
Port Authority of Jamaica	4.1	3.3	-4.7	-0.3	0.3	0.2	0.2	-0.2	0.0
Urban Development Corporation	-1.1	0.6	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Overall balance other public entities	15.2	24.5	11.6	3.6	1.2	0.9	1.4	0.6	0.2
Overall balance public entities	31.2	36.3	11.4	10.5	0.9	1.8	2.0	0.6	0.5
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)

	Est.		Prog.	Projections					
	2016/17	2017/18	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Current account	-168	-453	-766	-394	-463	-451	-490	-526	-567
Trade balance	-3,014	-3,619	-4,029	-3,578	-3,766	-3,828	-3,968	-4,084	-4,216
Exports (f.o.b.)	1,246	1,434	1,664	1,690	1,610	1,698	1,779	1,856	1,922
Imports (f.o.b.)	4,260	5,054	5,693	5,268	5,376	5,526	5,747	5,940	6,137
Fuel (cif)	1,084	1,445	1,790	1,656	1,541	1,599	1,625	1,660	1,699
Exceptional imports (including FDI-related)	482	527	424	488	614	535	612	623	635
Other	2,694	3,082	3,479	3,124	3,221	3,391	3,510	3,656	3,804
Services (net)	1,044	1,236	1,371	1,373	1,430	1,496	1,543	1,595	1,645
Transportation	-554	-634	-723	-670	-681	-694	-723	-745	-769
Travel	2,305	2,631	2,893	2,846	2,925	3,021	3,112	3,203	3,292
<i>Of which: Tourism receipts</i>	2,566	2,904	3,176	3,128	3,216	3,322	3,424	3,527	3,629
Other services	-707	-761	-799	-803	-814	-831	-846	-862	-878
Income (net) 4/	-594	-465	-601	-644	-636	-681	-681	-709	-722
Current transfers (net)	2,396	2,396	2,492	2,456	2,509	2,562	2,617	2,671	2,725
Government (net)	174	178	182	182	186	189	193	197	201
Private (net)	2,222	2,217	2,310	2,274	2,323	2,373	2,424	2,474	2,523
Capital and financial account	522	759	657	153	784	781	560	688	618
Capital account (net)	0	-19	-19	-10	-10	-10	-10	-10	-10
Financial account (net) 1/	522	778	676	163	794	791	570	698	628
Direct investment (net)	585	908	697	547	674	693	725	761	799
Central government (net) 5/	-39	540	-145	-217	-39	-69	-330	-244	-359
<i>Of which: IFIs</i>	232	143	105	162	351	95	0	0	0
Other official (net) 2/ 5/	44	19	-93	17	66	74	82	89	96
<i>Of which: PetroCaribe</i>	12	0	0	0	0	0	0	0	0
Portfolio investment (net)	-68	-688	218	-184	92	92	92	92	92
Overall balance	354	305	-109	-241	321	330	71	161	50
Financing	-354	-305	109	241	-321	-330	-71	-161	-50
Change in gross reserves (- increase)	-430	-333	173	302	-224	-209	61	-26	64
Change in arrears	0	0	0	0	0	0	0	0	0
Financing gap	76	28	-64	-61	-97	-121	-132	-135	-115
IMF 3/	118	-18	-64	-61	-97	-121	-132	-135	-115
Disbursements	118	0	0	0	0	0	0	0	0
Repayments	0	-18	-64	-61	-97	-121	-132	-135	-115
Memorandum items:									
Gross international reserves	3,324	3,657	3,484	3,355	3,579	3,788	3,727	3,753	3,689
(in weeks of prospective imports of GNFS)	26.7	25.6	21.9	22.4	23.4	24.2	22.9	22.4	21.3
Net international reserves	2,769	3,075	2,965	2,834	3,155	3,485	3,556	3,717	3,689
<i>of which: non-borrowed</i>	1,944	2,398	2,454	2,353	2,825	3,169	3,409	3,591	3,672
Current account (percent of GDP)	-1.2	-3.0	-5.0	-2.5	-2.9	-2.7	-2.8	-2.9	-3.0
Exports of goods (percent change)	5.7	15.1	19.9	17.8	-4.7	5.4	4.8	4.4	3.5
Imports of goods (percent change)	0.1	18.6	7.8	4.2	2.0	2.8	4.0	3.4	3.3
Oil prices (composite, fiscal year basis)	47.9	55.7	70.8	66.7	59.5	58.8	58.0	57.6	57.6
Tourism receipts (percent change)	5.0	13.2	10.4	7.7	2.8	3.3	3.1	3.0	2.9
GDP (US\$ millions)	14,136	15,086	...	...	...	...	...	...	...
Jamaican dollar/USD, period average	127	128	...	...	...	...	...	...	...

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/

	2016/17	Est. 2017/18	Prog. 2018/19	2018/19	2019/20	Projections			
						2020/21	2021/22	2022/23	2023/24
(In billions of Jamaican dollars)									
End-of-period stocks 1/									
Net foreign assets	356.3	392.2	408.0	377.8	431.2	488.7	512.2	551.2	563.1
Net domestic assets	-216.8	-222.1	-239.5	-195.0	-237.1	-281.1	-289.5	-311.9	-305.7
Net claims on public sector	31.5	58.0	101.0	100.6	127.6	125.8	125.6	126.2	126.0
Net claims on central government	4.1	29.3	66.1	77.9	102.9	102.9	102.9	102.9	102.9
Net claims on rest of public sector	27.4	28.6	44.0	24.9	26.3	27.3	28.5	28.5	28.5
Operating losses of the BOJ	0.0	0.0	-9.1	-2.2	-1.6	-4.4	-5.9	-5.2	-5.4
Net credit to commercial banks	-44.1	-61.5	-46.6	-52.1	-55.9	-60.0	-64.3	-69.3	-74.7
Of which : foreign prudential reserve	-44.1	-61.5	-46.6	-52.1	-55.9	-60.0	-64.3	-69.3	-74.7
Net credit to other financial institutions	-8.7	-3.1	-2.1	-3.1	-3.3	-3.4	-3.5	-3.7	-3.8
Open market operations	-51.8	-93.3	-121.4	-100.1	-157.0	-184.9	-177.0	-181.4	-155.3
Other items net (incl. valuation adj.)	-143.7	-122.1	-170.4	-140.2	-148.6	-158.6	-170.3	-183.7	-197.9
Of which: Valuation adjustment	-122.5	-119.6	-149.2	-137.7	-146.1	-156.2	-167.8	-181.3	-195.4
Base money	139.5	170.1	168.5	182.8	194.1	207.6	222.7	239.3	257.4
Currency in circulation	77.8	90.7	66.0	57.6	59.5	61.8	64.5	67.3	70.4
Liabilities to commercial banks	61.6	79.4	102.5	125.2	134.6	145.8	158.2	172.0	187.0
Fiscal year flows 1/									
Net foreign assets	61.5	35.9	20.7	-14.4	53.3	57.6	23.5	39.0	11.9
Net domestic assets	-42.1	-5.2	-8.9	27.1	-42.1	-44.0	-8.4	-22.4	6.2
Net claims on public sector	-102.2	26.5	-2.4	42.6	27.1	-1.8	-0.3	0.6	-0.2
Net claims on central government	-35.7	25.3	28.6	48.6	25.0	0.0	0.0	0.0	0.0
Net credit to commercial banks	-15.6	-17.4	-2.9	9.4	-3.7	-4.2	-4.2	-5.1	-5.4
Net credit to other financial institutions	-6.3	5.5	0.0	0.0	-0.2	-0.1	-0.2	-0.1	-0.1
Open market operations	5.9	-41.4	25.4	-6.8	-56.9	-27.8	7.9	-4.4	26.1
Other items net (incl. valuation adj.)	76.2	21.6	-29.1	-18.1	-8.3	-10.1	-11.6	-13.4	-14.2
Base money	19.4	30.7	11.8	12.7	11.3	13.6	15.0	16.6	18.1
Currency in circulation	7.5	12.9	1.6	-33.1	1.8	2.4	2.6	2.9	3.1
Liabilities to commercial banks	12.0	17.8	10.2	45.8	9.4	11.2	12.4	13.7	15.0
(Change in percent of beginning-of-period Base Money)									
Net foreign assets	51.2	25.8	13.2	-8.5	29.2	29.7	11.3	17.5	5.0
Net domestic assets	-35.0	-3.8	-5.7	15.9	-23.0	-22.7	-4.1	-10.1	2.6
Net claims on public sector	-85.2	19.0	-1.5	25.0	14.8	-0.9	-0.1	0.3	-0.1
Net credit to commercial banks	-13.0	-12.5	-1.8	5.5	-2.0	-2.2	-2.0	-2.3	-2.3
Net credit to other financial institutions	-5.2	4.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Open market operations	4.9	-29.7	16.2	-4.0	-31.1	-14.3	3.8	-2.0	10.9
Other items net (incl. valuation adj.)	63.5	15.5	-18.6	-10.6	-4.6	-5.2	-5.6	-6.0	-5.9
Base money	16.2	22.0	7.5	7.4	6.2	7.0	7.2	7.5	7.6
Currency in circulation	6.2	9.3	1.0	-19.4	1.0	1.2	1.3	1.3	1.3
Liabilities to commercial banks	10.0	12.7	6.5	26.9	5.2	5.8	6.0	6.2	6.3
Memorandum items:									
Change in net claims on the central government (percent of GDP)	-2.0	1.3	1.4	2.4	1.2	0.0	0.0	0.0	0.0
Sources: Bank of Jamaica; and Fund staff estimates.									
1/ Fiscal year runs from April 1 to March 31. Additionally, the authorities are compiling and disseminating monetary data on the basis of the 2000 MFS manual, which reflect a different methodology and coverage.									

Table 7. Jamaica: Summary Monetary Survey 1/

	Est.		Prog.	Projections					
	2016/17	2017/18	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
(In billions of Jamaican dollars)									
End-of-period stocks 1/									
Net foreign assets	355.4	436.7	445.9	430.8	486.3	546.3	572.0	615.7	632.6
Net domestic assets	280.9	319.7	290.1	366.3	359.9	359.1	399.1	427.8	489.8
Net claims on public sector	122.2	159.6	159.7	199.7	218.7	195.1	195.8	196.0	195.3
<i>Of which: Central government 2/</i>	131.8	167.3	173.5	220.0	244.8	232.4	233.4	232.9	232.5
Open market operations	-12.4	-60.5	22.4	-126.2	-148.6	-169.0	-308.0	-378.6	-394.2
Credit to private sector	515.6	609.7	606.1	663.6	728.5	800.9	888.2	997.5	1120.4
<i>Of which: Foreign currency</i>	100.6	122.5	108.7	130.3	134.2	138.4	142.9	147.8	152.9
Other	-344.5	-389.1	-498.1	-370.8	-438.7	-467.9	-376.9	-387.1	-431.7
<i>Of which: Valuation adjustment</i>	-122.5	-119.6	-138.8	-130.7	-134.9	-140.2	-146.3	-153.1	-160.0
Liabilities to private sector (M3)	636.4	756.4	736.0	797.1	846.2	905.4	971.0	1043.4	1122.4
Money supply (M2)	385.1	479.5	425.6	449.6	473.8	505.2	542.6	581.3	624.3
Foreign currency deposits	251.2	276.9	310.4	347.6	372.4	400.2	428.4	462.1	498.1
Fiscal year flows 1/									
Net foreign assets	2.0	81.2	19.4	-5.9	55.5	60.0	25.7	43.7	16.9
Net domestic assets	107.1	38.8	18.7	46.6	-6.4	-0.8	39.9	28.7	62.0
Net claims on public sector	-84.3	37.4	-19.5	40.1	19.0	-23.6	0.7	0.1	-0.6
<i>Of which: Central government</i>	-1.9	35.5	19.5	52.7	24.8	-12.4	1.0	-0.5	-0.4
Open market operations	-27.7	-48.1	-123.4	-65.7	-22.4	-20.4	-139.1	-70.5	-15.7
Credit to private sector	139.7	94.1	54.1	53.9	64.9	72.4	87.3	109.3	122.9
<i>Of which: Foreign currency</i>	16.4	21.8	9.7	7.8	3.9	4.2	4.5	4.9	5.1
Other 2/	79.5	-44.6	107.4	18.3	-67.9	-29.2	91.0	-10.1	-44.7
<i>Of which: Valuation adjustment</i>	-47.6	2.8	-15.9	-11.0	-4.3	-5.3	-6.1	-6.8	-6.8
Liabilities to private sector (M3)	109.1	120.0	38.1	40.7	49.1	59.2	65.6	72.4	78.9
Money supply (M2)	74.7	94.3	19.1	-29.9	24.3	31.4	37.4	38.7	43.0
Foreign currency deposits	34.4	25.7	19.0	70.6	24.8	27.8	28.2	33.7	35.9
(Change in percent of beginning-of-period M3)									
Net foreign assets	0.4	12.8	2.8	-0.8	7.0	7.1	2.8	4.5	1.6
Net domestic assets	20.3	6.1	2.7	6.2	-0.8	-0.1	4.4	3.0	5.9
Net claims on public sector	-16.0	5.9	-2.8	5.3	2.4	-2.8	0.1	0.0	-0.1
<i>Of which: Central government</i>	-0.4	5.6	2.8	7.0	3.1	-1.5	0.1	-0.1	0.0
Open market operations	-5.3	-7.6	-17.7	-8.7	-2.8	-2.4	-15.4	-7.3	-1.5
Credit to private sector	26.5	14.8	7.8	7.1	8.1	8.6	9.6	11.3	11.8
<i>Of which: Foreign currency</i>	3.1	3.4	1.4	1.0	0.5	0.5	0.5	0.5	0.5
Other 2/	15.1	-7.0	15.4	2.4	-8.5	-3.5	10.0	-1.0	-4.3
<i>Of which: Valuation adjustment</i>	-9.0	0.4	-2.3	-1.5	-0.5	-0.6	-0.7	-0.7	-0.7
Liabilities to private sector (M3)	20.7	18.9	5.5	5.4	6.2	7.0	7.2	7.5	7.6
Memorandum items:									
M3/monetary base	4.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
M3 velocity	2.8	2.6	2.8	2.6	2.6	2.6	2.6	2.6	2.6
Sources: Bank of Jamaica; and Fund staff estimates and projections.									
1/ Fiscal year runs from April 1 to March 31. Additionally, the authorities are compiling and disseminating monetary data on the basis of the 2000 MFS manual, which reflect a 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/

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Balance sheet growth (y/y)											
Capital	14.7	13.8	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	10.4
Loans	24.2	5.3	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	12.0
NPLs	57.6	68.0	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	11.7
Liquidity											
Domestic currency liquid assets 2/	30.3	31.3	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	30.0
Asset Quality											
Prov. for loan losses/NPLs	87.2	75.7	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	110.0
NPLs/loans	2.9	4.7	6.5	8.9	7.0	5.4	5.0	4.1	3.5	3.5	3.5
Capital Adequacy											
NPLs/Capital+Prov. for loan losses	12.3	17.7	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	11.6
Capital Adequacy Ratio (CAR)	15.2	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.5	14.5	14.5
Profitability (calendar year) 3/											
Pre-tax profit margin	26.3	21.4	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	28.0
Return on average assets	3.5	2.9	2.5	3.9	2.4	2.0	2.1	2.0	2.0	2.0	2.0
Source: Bank of Jamaica.											
1/ Commercial banks, building societies, and merchant banks.											
2/ Percent of prescribed liabilities.											
3/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank. Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively.											

Table 9. Jamaica: Schedule of Reviews and Purchases

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

Table 10. Jamaica: Structural Program Conditionality

Structural Benchmarks	Timing	Implementation status
Fiscal Reforms		
1 The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	December 31, 2016	Met
Monetary policy and financial sector		
2 Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	November 30, 2016	Met
3 Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	February 28, 2017	Met
4 Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	March 31, 2017	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	Met
Public Sector Transformation		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	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)

	2018				2019			
	Indicative Target	Actual	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target	Performance Criteria	Indicative Target
	end-Sep			end-December		end-March	end-June	end-Sept.
Fiscal targets								
<i>Performance Criteria</i>								
1. Primary balance of the central government (floor) 3/	44.0	73.8	68.0	68.0	107.7	141.6	19.0	35.7
2. Overall balance of the public sector (floor) 3/	-39.2	25.8	-41.1	-36.6	29.7	-14.7	-14.0	-25.0
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0	-10.1	-8.4	-8.4	-11.1	-8.4	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	-4.9	0.0	0.0	-5.2	0.0	0.0	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	-13.1	0.0	0.0	-12.4	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
<i>Indicative targets</i>								
7. Tax revenues of the central government (floor) 3/	234.0	258.5	360.0	360.0	388.7	516.0	115.0	242.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	17.2	9.4	18.0	18.0	15.2	20.0	22.0	24.0
9. Central government spending on social programs (floor) 3/ 7/	11.9	20.1	19.4	19.4	28.3	28.2	6.7	12.3
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	1.7	3.0	3.0	1.6	3.0	3.0	3.0
Monetary targets								
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2,140	2,461	2,200	2,200	2,521	2,200	2,250	2,300
12. <i>Monetary policy consultation clause (in percent) 12/</i>								
Outer band (upper)	6.5		6.5			6.0	6.0	6.0
Center inflation target	5.0	4.3	5.0		2.4	5.0	5.0	5.0
Inner band (lower)			3.5			4.0	4.0	4.0
Outer band (lower)	3.5		2.0			2.5	2.5	2.5
<p>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. 12/ The Monetary policy consultation clause bands consist of two types of thresholds. The Inner band triggers a Staff consultation and an Outer band triggers a Board consultation as detailed in the TMU.</p>								

Table 12. Jamaica: Indicators of Fund Credit, 2019–27
(In millions of SDRs, unless otherwise specified)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prospective drawings (3-year SBA)	1,195.30	...	...	...	...	...	...	...	...
(in percent of quota)	312.17	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings) 1/									
Amortization	64.80	83.68	93.12	371.85	679.38	374.95	28.32	9.44	0.00
Amortization (4-year EFF)	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	278.73	597.65	318.93	0.00	0.00	0.00
Interest and service charges 1/	25.95	34.72	32.84	30.01	17.97	4.49	0.67	0.15	0.00
GRA surcharges 1/	8.85	18.08	16.34	16.45	4.48	0.00	0.00	0.00	0.00
SDR charges and assessments 1/	0.98	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31
Total debt service 1/	100.59	137.80	143.62	419.62	703.13	380.75	30.30	10.90	1.31
(in percent of exports of G&S) 2/	3.32	4.26	4.26	11.79	19.13	10.03	0.77	0.26	0.03
(in percent of GDP) 2/	1.15	1.49	1.48	4.11	6.56	3.38	0.26	0.08	0.01
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings) 1/									
Outstanding stock 1/	1,640.73	1,557.04	1,463.92	1,092.08	412.70	37.76	9.44	0.00	0.00
(in percent of quota)	428.50	406.64	382.32	285.21	107.78	9.86	2.47	0.00	0.00
(in percent of GDP) 2/	18.68	16.84	15.05	10.69	3.85	0.34	0.08	0.00	0.00
Memorandum items:									
Exports of goods and services (US\$ millions) 2/	4,514.96	4,826.61	5,030.65	...	...	...	...	...	...
GDP (US\$ millions) 2/	13,096.84	13,785.90	14,501.16	15,228.51	15,983.78	16,792.68	17,642.39	19,141.99	20,769.06
US\$/SDR exchange rate	...	...	...	...	...	...	...	...	...
Debt service as percent of baseline exports	2.68	3.53	3.55	...	...	...	...	...	...
Debt service as percent of baseline GDP	0.94	1.23	1.23	3.43	5.51	2.85	0.22	0.07	0.01
Quota	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90

Source: Fund staff estimates.

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

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

Annex I. Enhancing Transparency and Governance

1. **Weak governance and corruption can severely hamper economic growth.** A growing body of literature shows corruption can impact growth by distorting the playing field for private agents, thereby creating economic inefficiencies that undermine macroeconomic and financial stability, private and public investment, and the rule of law.¹
2. **Jamaica underperforms relative to its peers on a variety of corruption-correlated fiscal measures; its AML/CFT framework also needs improvement.** Jamaica stands about equal to its emerging-market peers on the Corruption Perception Index, does better on public engagement in external audits, and falls short on transparency. On the latter, procurement and PFM controls are particularly problematic (Figure I.1). Separately, in 2016, Jamaica was placed under the enhanced follow-up process for significant deficiencies found in the technical compliance and effectiveness of its AML/CFT framework, including applying enhanced due-diligence on a risk basis for Politically Exposed Persons (PEPs).
3. **The GOJ is taking steps to improve governance and tackle corruption including:**
 - Establishing the Integrity Commission which has investigative and prosecutorial powers.
 - Finalizing the legislative framework underpinning the activities of the Major Organized Crime and Anti-Corruption Agency (MOCA) which has been tasked with investigating crime kingpins, major criminal enterprises and corrupt practices in either the private or public sectors.
 - Implementing a Competency Profile Instrument for the Boards of Public Bodies that allows for the selection and appointment of members who collectively possess the skills and experience deemed necessary for the effective functioning of the public body.
 - Implementing the Board Performance Evaluation Instrument to assess boards of public bodies and individual directors to ensure that they are discharging their functions in an appropriate manner.
 - Developing a set of Policy Guidelines for the Nomination, Selection and Appointment of the Boards of Public Bodies.

Corporate Governance and Corruption

4. **Serious governance weaknesses have been identified in recent audits of public bodies².** A comprehensive audit of Petrojam—the state-owned oil refinery—by the Auditor General found multiple deficiencies in the governance and monitoring framework in the areas of procurement, management of capital investment projects, and recruitment that, if left unresolved,

¹ For an overview see: Review of 1997 Guidance Note on Governance – A Proposed Framework for Enhanced Fund Engagement, International Monetary Fund Policy Paper, April 2018.

² Note that the terms public bodies and state-owned enterprises are used interchangeably in this Annex.

“will increase the risk of corrupt acts and further erode Petrojam’s profitability, which has declined over the last three years.” An audit of Dunn’s River Falls—a popular tourist attraction managed by a public body—found “significant and long-term fraud-control failures, financial mismanagement, insufficient processes and gaps in information technology controls” resulting in losses of \$500,000 to \$1 million per year. More recently, the entire Board of the Students’ Loan Bureau—a statutory public body—was replaced as concerns were raised regarding the previous Board’s governance and management practices related to staffing and financial oversight (in this instance, swift action was taken to replace the Board).

5. Weak governance and low return on assets could arise from poor accountability, transparency, and oversight by management boards. In general, the return on assets of public bodies in Jamaica is low relative to international benchmarks. The average return on assets of selected non-financial public bodies was estimated to be -0.9 percent in FY17/18 compared to a global average of about 1.9 percent.³ Operations and financial dealings at many public bodies are opaque with a clear picture not emerging until audited by the Auditor General. Board appointments are often political resulting in frequent turnover which leaves many positions unfilled and a lack of oversight continuity. Best practices (Box I.1) suggest that public bodies should follow the same high-quality transparency, accounting, disclosure, and compliance standards as listed companies. Boards should act with integrity and be empowered with the necessary authority and competencies to objectively guide and monitor management.

6. To address corruption risks among Parliamentarians and public officials, the 2017 Integrity Commission Bill paved the way for a single anti-corruption unit for investigating and prosecuting corruption in Jamaica. The Commission is empowered to investigate alleged or suspected acts of corruption; preventing, identifying and prosecuting corruption; and monitoring the award and discharge of Government contracts and prescribed licenses. Its functionality is yet to be tested including because it is just being staffed.

³ Low returns on public body assets may also reflect policy decisions taken by the central government which affect profitability.

Box A.1.1: OECD Principles of Corporate Governance¹

The 2015 OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOEs) outlines seven guidelines to improve corporate governance. Particularly relevant for Jamaica are the principles governing disclosure and transparency and the responsibility of SOEs' boards. Under the guidelines, SOEs should disclose:

- A clear statement outlining enterprise objectives and their fulfillment, including any mandate by the state-owned entity.
- Financial and operating results including audited financial statements and foreseeable risk factors.
- The governance, voting and ownership structure.
- Board member qualifications, selection process, and remuneration.

Boards of SOEs should:

- have a clear mandate defined in legislation, be fully accountable to the owners and act in the best interest of the enterprise;
- have the power to remove the CEO;
- be nominated based on a transparent set of professional criteria and have sufficient commercial, financial and sectoral expertise to effectively carry out their duties;
- implement mechanisms to avoid conflicts of interest;
- consider setting up specialized committees to support the full board in performing its functions, particularly with respect to audit, remuneration, and governance;
- periodically review their own performance.

¹ OECD (2015), *OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264244160-en>

Recommendations

7. Recognizing the deficiencies of the current governance framework, the authorities are currently codifying the new Cabinet-approved policies into regulations to strengthen their legal authority. In this context, the authorities should consider enhancing their governance framework in line with best practices outlined in the OECD guidelines and past IMF TA recommendations on public bodies. Given the particular weaknesses identified, immediate actions could include:

- Depoliticizing the board appointment process by relying on transparent, competency-based criteria that utilize the Competency Profile Instrument.
- Reducing the wholesale turnover of board membership during a change in government (requiring filling more than 2,000 board positions) by retaining a certain portion of the board, post-transition.
- Creating governance sub-committees at the board to monitor and review governance arrangements especially in public bodies where this has proven to be an issue.

- Minimizing vacancies by establishing and populating a database of possible pre-screened candidates to draw on when board openings arise.
- Creating an online portal for an anonymous *whistle blowing program* for submission of tips and establishment of rewards for information that directly leads to results (e.g., the return of stolen or other misappropriated funds).

Public Financial Management and Controls

8. Transparency and accountability are hindered due to the lack of published audited financial statements. Financial statements are the primary means for assessing the government's use of public resources. Although central government budget execution reports are published on a monthly basis they do not provide a full picture of the state of government finances and they are not audited.

9. There are a large of number of bank accounts containing significant funds residing outside the treasury single account (TSA) system creating room for misuse of government funds. There are over 3,000 commercial bank accounts residing outside of the TSA, with substantial government funds (around 2 percent of GDP) in them, including those falling under the responsibility of Ministries and Departments. Such large amounts outside the TSA increase the risk that government funds are misused and reduce the efficiency of budget planning and cash management. Of these accounts, over 2,000 are university, college, and school accounts which the current legal framework allows to remain outside the TSA. However, although individual account balances are small, they pose a risk since oversight is weak and compounded by comingling of government and donor funds (i.e., alumni and parent associations). For these entities, the government transfers funds in blocks to schools that, in turn, make payments to suppliers and beneficiaries directly using commercial accounts rather than through the centralized platform used for regular government payments for goods and services.

Recommendations

- Audited financial statements should be published on a timely basis in line with international accounting standards, including all revenues, expenses, assets and liabilities.
- All government-related commercial bank accounts should be eventually migrated to the TSA in the BOJ.
- In the interim, these accounts should be actively monitored, including through the adoption of IFMIS, already underway, that greatly improves reporting and monitoring capabilities. Monitoring and the migration process should be led by the Accountant General's Department (AGD).

Consistent with FAD technical assistance, specific recommendations by type of entity include:

MDAs/Public bodies supported by the Consolidated Fund

- Submit monthly bank reconciliation statements to the AGD.
- Create TSA sub-accounts for MDAs at the BOJ and begin migrating funds.
- Close redundant commercial bank accounts.

Universities, Colleges and Schools

- Keep separate ledger accounts for budget and non-budget funds and provide quarterly reports on the balances in the budgetary fund ledgers to AGD.
- Bring schools into the CTMS system facilitating direct transfers between AGD and suppliers.
- Remove government funds from schools' commercial bank accounts.

AML/CFT

10. Based on the 2016 results of the Caribbean Financial Action Task Force (CFATF) fourth-round Mutual Evaluation Report (MER), Jamaica was placed under the enhanced follow-up process for significant deficiencies in the compliance and effectiveness of its AML/CFT framework. Specifically, Jamaica was found to be non-compliant with the recommendation pertaining to targeted financial sanctions for terrorism and terrorism financing and their non-profit organization sector was found to be susceptible to abuse by terrorist organizations. They were also identified as having a low level of effectiveness in encouraging non-bank financial institutions to apply AML/CFT preventative measures, disclosing beneficial ownership, and investigating and prosecuting money laundering offenses. Furthermore, in the last MER AML/CFT supervision was considered insufficiently risk-based requiring further enhancements, particularly for financial groups.

11. Steps are being taken to address these deficiencies, but progress has been slow on the legal and regulatory front. The BOJ has drafted revised versions of the AML/CFT Guidance Notes that outline financial institutions' AML/CFT responsibilities under current legislation and minimum standards for the effective management of their ML/TF risks, but these notes are yet to be published. Planned legislative changes to the Proceeds of Crime Act (POCA) and Terrorism Prevention Act (TPA) are meant to address issues related to risk-based customer due diligence, unexplained wealth orders, and beneficial ownership, but specific amendments are yet to be reviewed by legal experts.

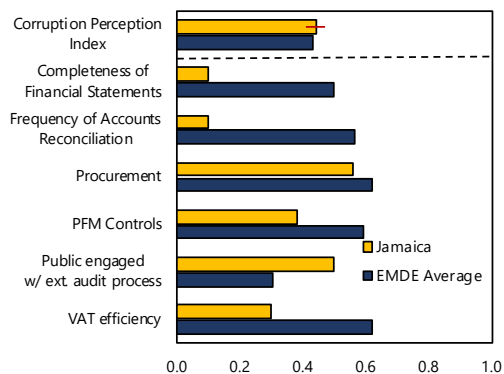
Recommendations

- Amend the POCA to:
 - Permit a risk-based approach to the application of AML/CFT measures.
 - Clearly identify the relevant supervisory authorities to apply risk-based approach to supervisory efforts.
 - Mandate regulated businesses to undertake risk-based assessments.
- Undertake a National Risk Assessment.
- Encourage the BOJ and FSC to implement consolidated supervision while continuing to develop and implement a risk-based approach to AML/CFT supervision, in general.
- Increase staff at the Integrity Commission quickly so it can properly execute its investigative and prosecutorial functions.
- Operationalize the accessibility of beneficial ownership of all legal persons in Jamaica by law enforcement officials.

Figure A.1.1. Governance Issues

Jamaica underperforms on corruption-correlated measures...

Jamaica: Corruption Perception and Correlated Indicators
(Index value, EMDEs)

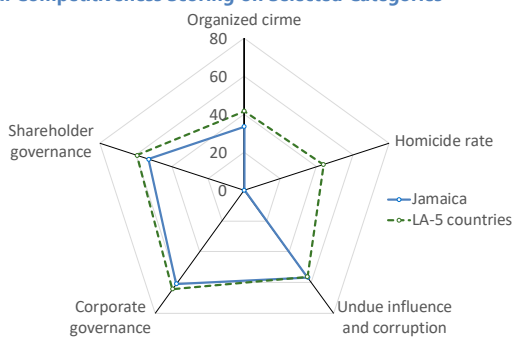


Sources: World Bank Doing Business Indicators; World Bank Benchmarking Public Procurement Database; PEFA; Transparency International Corruption Perception Index; and IMF staff estimates. Notes: Transparency International Corruption Perception Index is an indicator that measures perception of corruption. A higher value represents lower perceived levels of corruption. The accuracy of the index can be biased by experts' views (instead of facts on corruption). Non-IMF indicators provide qualitative information about corruption. They do not represent the IMF's assessment of the level of corruption in Jamaica.

...with potential economic consequences.

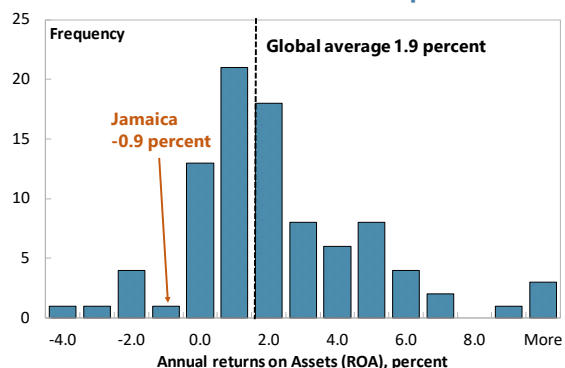
Weak corporate governance may negatively impact the returns of public bodies.

Global Competitiveness Scoring on Selected Categories



Sources: World Economic Forum Global Competitiveness Indicators 2018. Higher scoring indicates better performance in the category.

Returns of Nonfinancial Public Corporations



Sources: October 2018 Fiscal Monitor and Ministry of Finance and Public Services

Annex II. Debt Sustainability Analysis

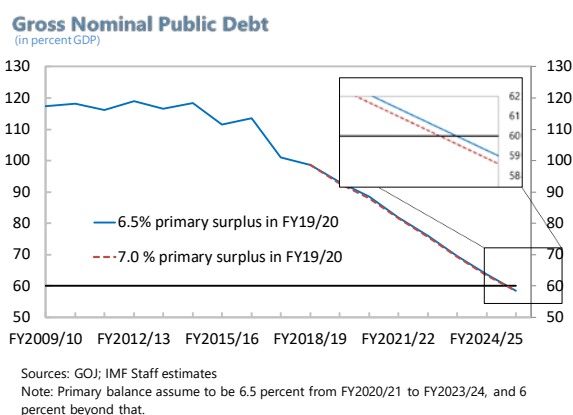
Under the baseline projection, Jamaica's public debt is on a downward trend, underpinned by sustained fiscal consolidation, to meet the debt target of below 60 percent of GDP by FY25/26 as required under the Fiscal Responsibility Law. The debt level remains high relative to other emerging markets. The projected decline in public debt is vulnerable to slower growth, depreciation of foreign exchange, contingent fiscal liabilities from public bodies, and natural disaster risks.

A. Public Debt Sustainability Analysis

1. Jamaica's public debt is expected to be below 100 percent of GDP in FY18/19 for the first time since early 2000s.¹ Over the last year, Jamaica's sovereign credit ratings were upgraded (Fitch Ratings from B to B+), with the rating agency noting the consolidation efforts have strengthened the fiscal positions. Under baseline projections, public debt would remain high but continue to decline to below 60 percent of GDP by FY25/26, meeting the commitment in the Fiscal Responsibility Law. The decline in debt is underpinned by sustained efforts in fiscal consolidation.

2. Jamaica's baseline assumptions are broadly in line with other comparable program countries. The baseline projection assumes medium-term growth to pick up and reach 2.4 percent, inflation to be at the midpoint of the central bank target range of 4-6 percent, and domestic interest rates gradually rise in line with the inflation targeting regime. The forecasts on growth, inflation, and primary balance have been largely within the interquartile range of the forecast error across other program countries over the last few years. While the projected 3-year average of cyclically-adjusted primary balance is beyond the top quartile of other comparable program countries, it is justified given Jamaica's sustained efforts to maintain and meet the primary surplus of 7 percent of GDP over the last few years (Figure A.2.4).

3. The lowering of the primary surplus target in FY19/20 budget from 7 to 6.5 percent of GDP would not have a significant impact on the downward debt path. The relaxation is targeted toward spending on security, infrastructure, and poverty reduction. The proposed ½ percent of GDP relaxation brings forward the government's planned primary surplus reduction by one year and does not have a material effect on the debt-to-GDP ratio path.



¹ The public debt in the analysis considers the consolidated public sector excluding the central bank. It includes the direct debt incurred by central government, guaranteed debt of public bodies, and net public bodies debt not guaranteed by the government.

4. Nevertheless, public debt sustainability is susceptible to macro-fiscal risks including:

- Growth slowdown.** Economic slack below the baseline projection could derail the debt profile. In a scenario with 1½ percentage points lower real GDP growth in next two years, corresponding to one standard deviation of growth over the past 10 years, public debt would decline to only 87 percent of GDP by FY21/22, 5 percentage points above the baseline projection (Figure A.2.5). As growth slows, the primary balance would deteriorate by 0.4 and 0.8 percentage points of GDP in these two years, respectively.
- Fiscal slippages.** The downward debt trajectory hinges on sustained fiscal consolidation. In a scenario with a lower primary surplus of 5¾ percent of GDP (about ¾ percentage points lower than baseline projection) over the next two years, public debt would remain about 84 percent of GDP by FY21/22, 2 percentage points of GDP higher than the baseline projection (Figure A.2.5). While slippages in fiscal consolidation *alone* do not seem to have a significant direct impact on debt trajectory, its indirect effects on public debt can be larger. For example, fiscal complacency could undermine policy credibility and investor confidence, causing a spike in sovereign yields and potential loss of market access, which could lead to more unpleasant public debt dynamics. Thus, maintaining the baseline primary balance target is critical to maintain the downward trajectory to meet the debt target underpinned in the Fiscal Responsibility Law.
- Foreign exchange risks.** The debt profile is also vulnerable to exchange rate risks as FX-denominated debt accounts for over 60 percent of total public debt in FY18/19. In a scenario of a one-off real depreciation of 25 percent, public debt would surge to 105 percent of GDP in a year (12 percentage points of GDP higher than the baseline projection) (Figure A.2.5). This will pose significant risks and derail the downward debt trajectory.
- Interest rate risks.** The debt profile will slightly deteriorate in the face of higher interest rates. In a scenario of a surge of interest rate premium by 330 basis points for new debt, the debt profile would slightly deteriorate by 2 percentage points of GDP by 2023 and effective interest cost on outstanding debt would rise by about 20 basis points. The modest impact arises because fixed-rate instruments account for about 85 percent of the total outstanding debt. Those variable-interest rate instruments also carry lower coupon rates than average effective interest cost.
- Contingent liabilities from public bodies.** The debt dynamics would deteriorate if fiscal risks from public bodies materialize. Some public bodies such as Jamaica Urban Transit Co. Ltd (JUTC) have incurred repeated losses. The delays in upgrading capacity at Petrojam—a state-owned oil refinery—could affect the operations, requiring continued and additional government support. Pinning down the precise impact is challenging. In a stylized scenario that some public bodies face challenges would require one-off government support through higher public spending of 3 percent of GDP, debt would decline to 86 percent of GDP by FY21/22 (4 percentage points higher than the baseline level) (Figure A.2.5).

5. A combined macro-fiscal shock with growth slowdown, subdued inflation, and exchange rate depreciation would significantly affect debt dynamics. In addition, fiscal sustainability is also vulnerable to natural disaster risks (see 2018 Article IV Staff Report).

6. Overall risks to the debt outlook remain elevated as indicated by both the symmetric and asymmetric fan charts. 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 78 percent of GDP (9 percentage points of GDP higher than baseline projection) by FY23/24 (Figure A.2.1).

7. In light of these risks, sustained fiscal consolidation efforts and further development of the domestic bond market could mitigate the debt sustainability risks. The Government of Jamaica plans to reopen or issue new domestic currency denominated bonds (amounting to J\$56bn) for FY19/20 at various maturities to meet the demand for government assets. As part of the medium-term debt management, there is some room to shift towards short-dated domestic currency denominated securities to support market development given strong demand from investors and a modest share of short-term debt in the total outstanding debt stock (Box 2). The risk profile of public debt would benefit from the reduced reliance on foreign currency denominated borrowings. 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 and interest rate risks of the public debt portfolio over the medium term.

B. External Debt Sustainability Analysis

8. Despite the recent decline in external financing sources, the public debt exposures to exchange rate risks remain high. Since mid-2017, Jamaica has not tapped the international capital markets and managed to gradually shift the debt composition to domestic currency denominated debt (Figure A.2.6 and Table A.2.1). External debt is now estimated at about 61 percent of GDP in FY18/19, about 8 percentage points of GDP lower than the peak in FY16/17. The analysis shows that public debt is most vulnerable to a sharp exchange rate depreciation. Going forward, proactive debt management to gradually shift the financing sources towards domestic ones will help alleviate the foreign exchange risks.

Figure A.2.1 Jamaica: Public DSA Risk Assessment

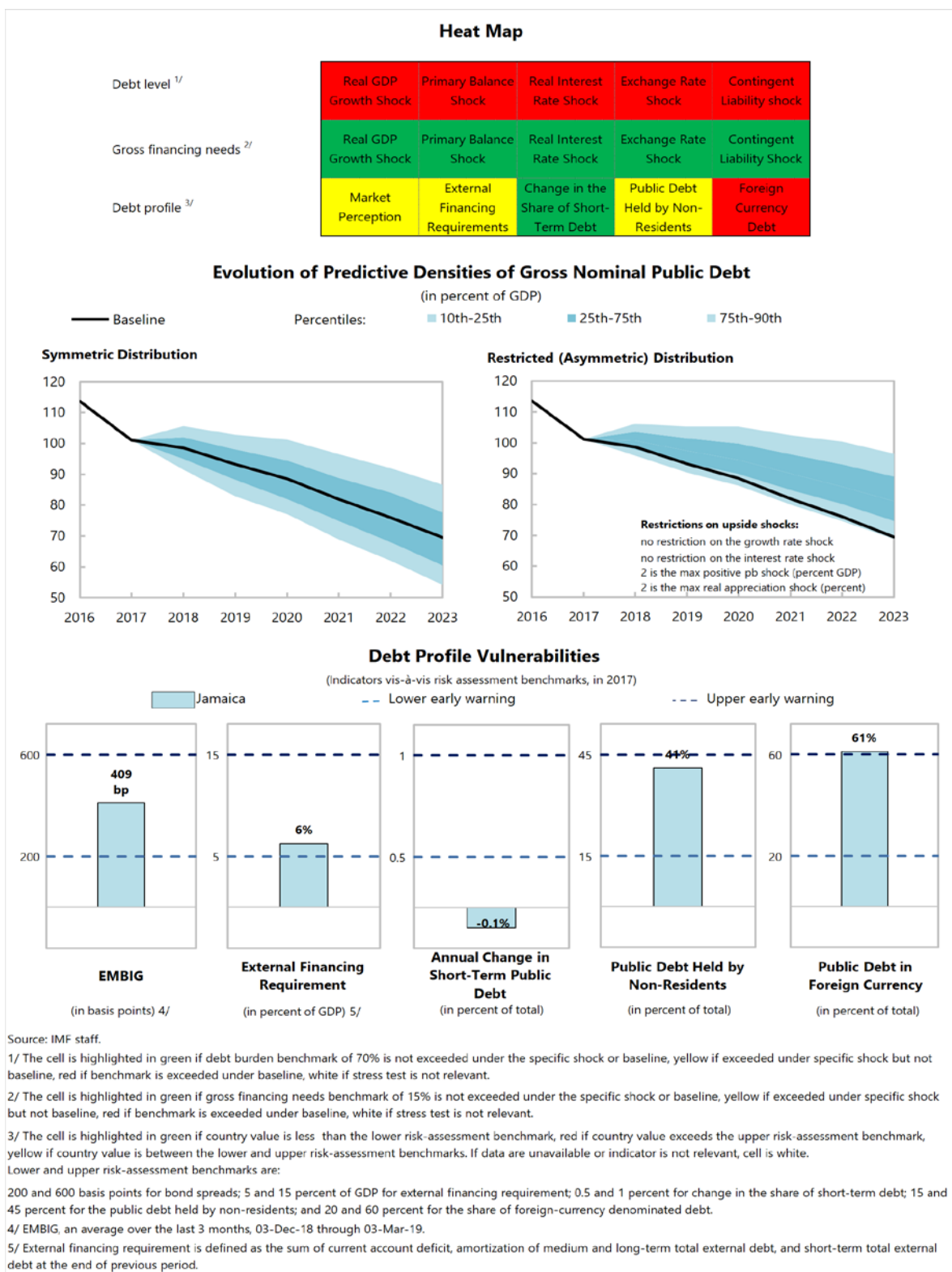


Figure A.2.2 Jamaica: Public Sector Debt Sustainability (DSA)—Baseline Scenario

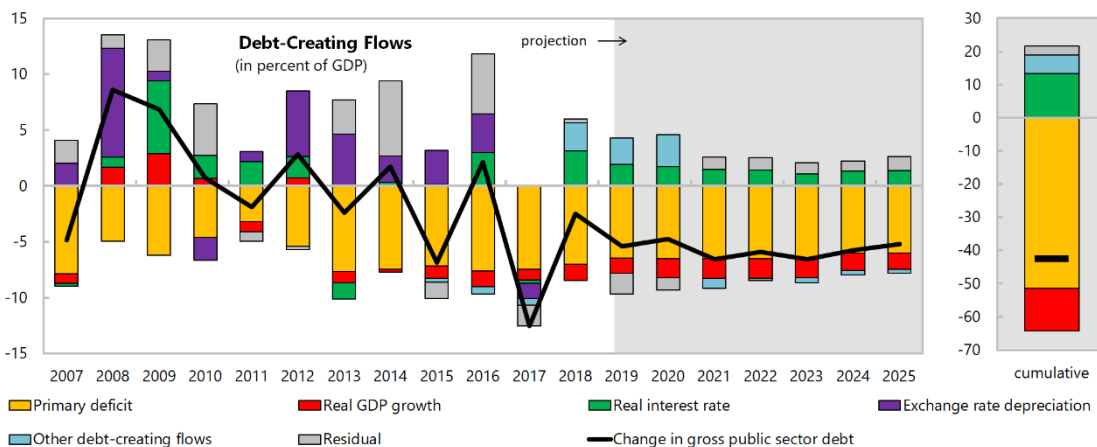
(in percent of GDP unless otherwise indicated)

Debt, Economic and Market Indicators ^{1/}

	Actual			Projections								As of March 03, 2019		
	2007-2015 ^{2/}	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025			
Nominal gross public debt	114.4	113.6	101.1	98.7	93.3	88.5	81.9	76.0	69.5	63.7	58.6	Sovereign Spreads		
o/w: Net public bodies & Fund credit	0.0	1.4	0.5	1.0	3.6	3.1	2.9	2.7	2.5	2.3	2.2	EMBIG (bp) 3/ 409		
Public gross financing needs	14.7	12.0	11.6	7.3	6.3	7.2	5.2	3.7	5.4	5.3	7.7	5Y CDS (bp) n.a.		
Real GDP growth (in percent)	-0.2	1.4	0.9	1.5	1.5	1.9	2.1	2.3	2.4	2.4	2.4	Ratings Foreign Local		
Inflation (GDP deflator, in percent)	8.8	4.5	6.9	3.8	4.6	5.0	5.0	5.0	5.0	5.0	5.0	Moody's B3 B3		
Nominal GDP growth (in percent)	8.5	5.9	7.9	5.4	6.2	7.0	7.2	7.5	7.6	7.6	7.6	S&Ps B B		
Effective interest rate (in percent) ^{4/}	10.1	7.4	6.7	7.1	6.8	7.0	6.9	7.0	6.6	7.2	7.4	Fitch B+ B+		

Contribution to Changes in Public Debt

	Actual			Projections								cumulative	debt-stabilizing primary balance ^{9/}
	2007-2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Change in gross public sector debt	0.5	2.1	-12.5	-2.5	-5.4	-4.7	-6.6	-5.9	-6.5	-5.7	-5.2	-31.6	
Identified debt-creating flows	-1.5	-3.2	-10.7	-2.8	-3.5	-3.6	-7.7	-7.0	-7.6	-6.6	-6.5	-32.3	
Primary deficit	-6.1	-7.6	-7.5	-7.0	-6.5	-6.5	-6.5	-6.5	-6.5	-6.5	-6.0	-39.5	
Primary (noninterest) revenue and grants	26.8	27.9	29.0	30.8	29.4	28.7	28.3	28.1	28.0	27.9	27.6	173.2	
Primary (noninterest) expenditure	20.7	20.3	21.6	23.8	23.0	22.2	21.8	21.6	21.5	21.9	21.6	133.8	
Automatic debt dynamics ^{5/}	4.6	5.0	-2.6	1.7	0.6	0.0	-0.3	-0.4	-0.7	-0.2	-0.1	0.9	
Interest rate/growth differential ^{6/}	1.6	1.5	-1.2	1.7	0.6	0.0	-0.3	-0.4	-0.7	-0.2	-0.1	0.9	
Of which: real interest rate	1.4	3.0	-0.3	3.2	1.9	1.7	1.5	1.4	1.1	1.3	1.4	10.7	
Of which: real GDP growth	0.2	-1.4	-1.0	-1.5	-1.3	-1.7	-1.8	-1.8	-1.7	-1.6	-1.4	-9.8	
Exchange rate depreciation ^{7/}	3.0	3.5	-1.4	...	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	-0.7	-0.6	2.5	2.3	2.9	-0.9	-0.2	-0.4	-0.4	-0.4	6.2	
Compensatory flows from PCDF ^{8/}	0.0	-0.7	-0.6	-0.7	-0.9	-0.3	-0.9	-0.2	-0.4	-0.4	-0.4	-3.3	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bank Recapitalization	0.0	0.0	0.0	3.2	3.2	3.1	0.0	0.0	0.0	0.0	0.0	9.5	
Residual, including asset changes ^{9/}	2.0	5.4	-1.9	0.4	-1.9	-1.1	1.1	1.1	1.0	0.9	1.3	0.7	



Source: IMF staff.

^{1/} Public sector is defined as central government and includes public guarantees, defined as Outstanding amount of loans guaranteed by the central government and Fund credit outstanding (budget support only).

^{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 $[(r - \pi(1+g) - g + ae(1+r))/(1+g+\pi+g\pi)]$ 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 $r - \pi(1+g)$ 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.

The compensatory flows from Petrocaribe Development Fund (PCDF) arise from the estimated net revenue from PCDF assets that can be used by the government to repay debt.

^{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 A.2.3 Jamaica: Public DSA—Composition of Public Debt and Alternative Scenarios

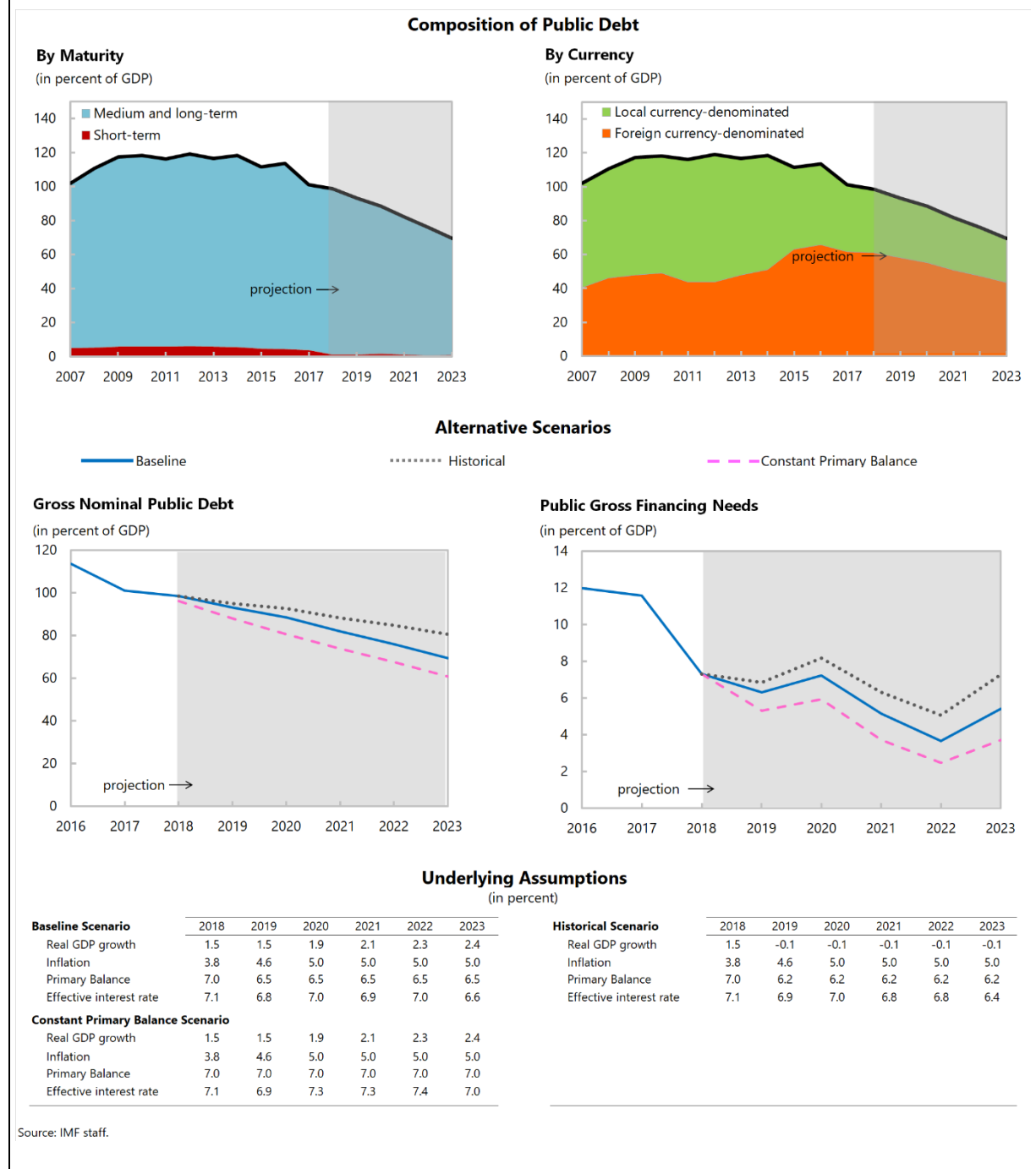


Figure A.2.4. Jamaica Public DSA—Realism of Baseline Assumptions

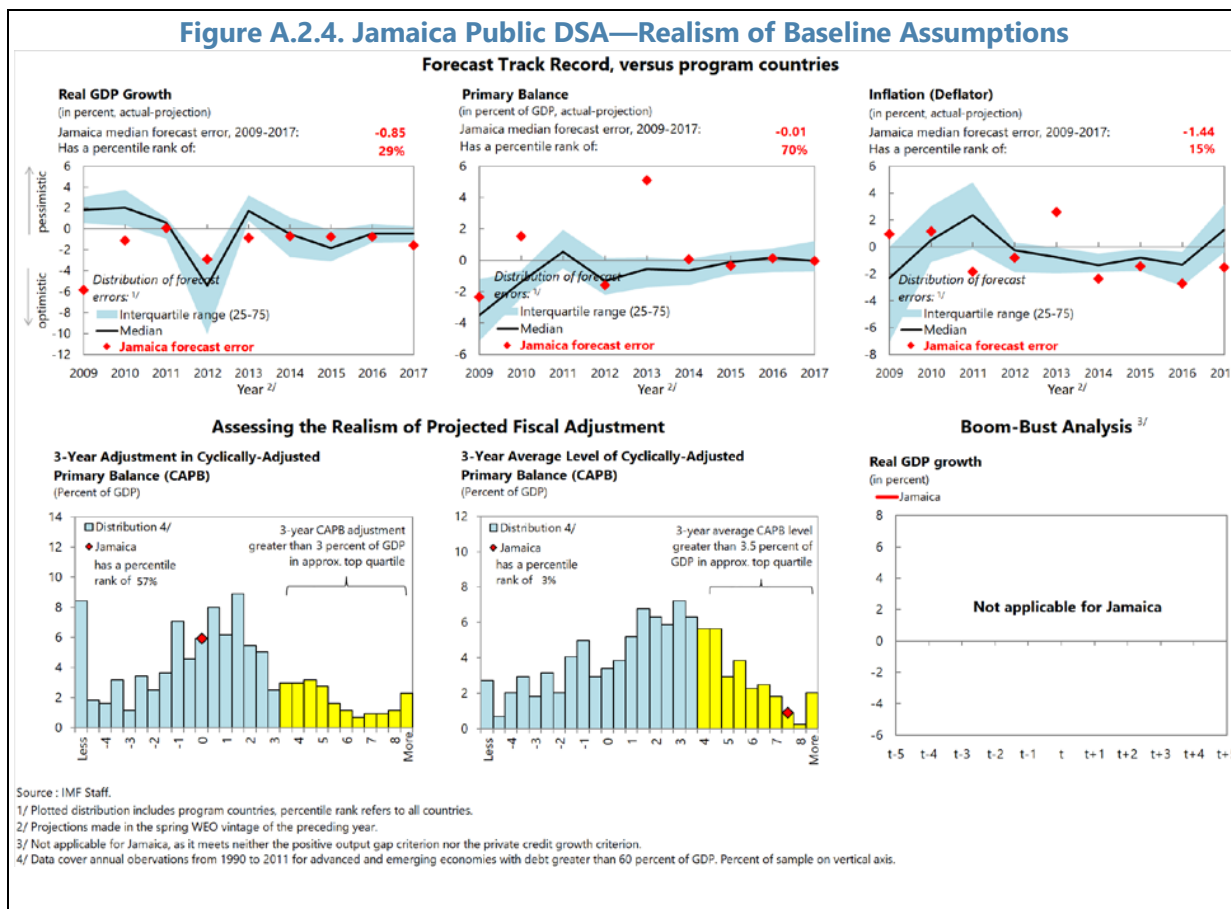
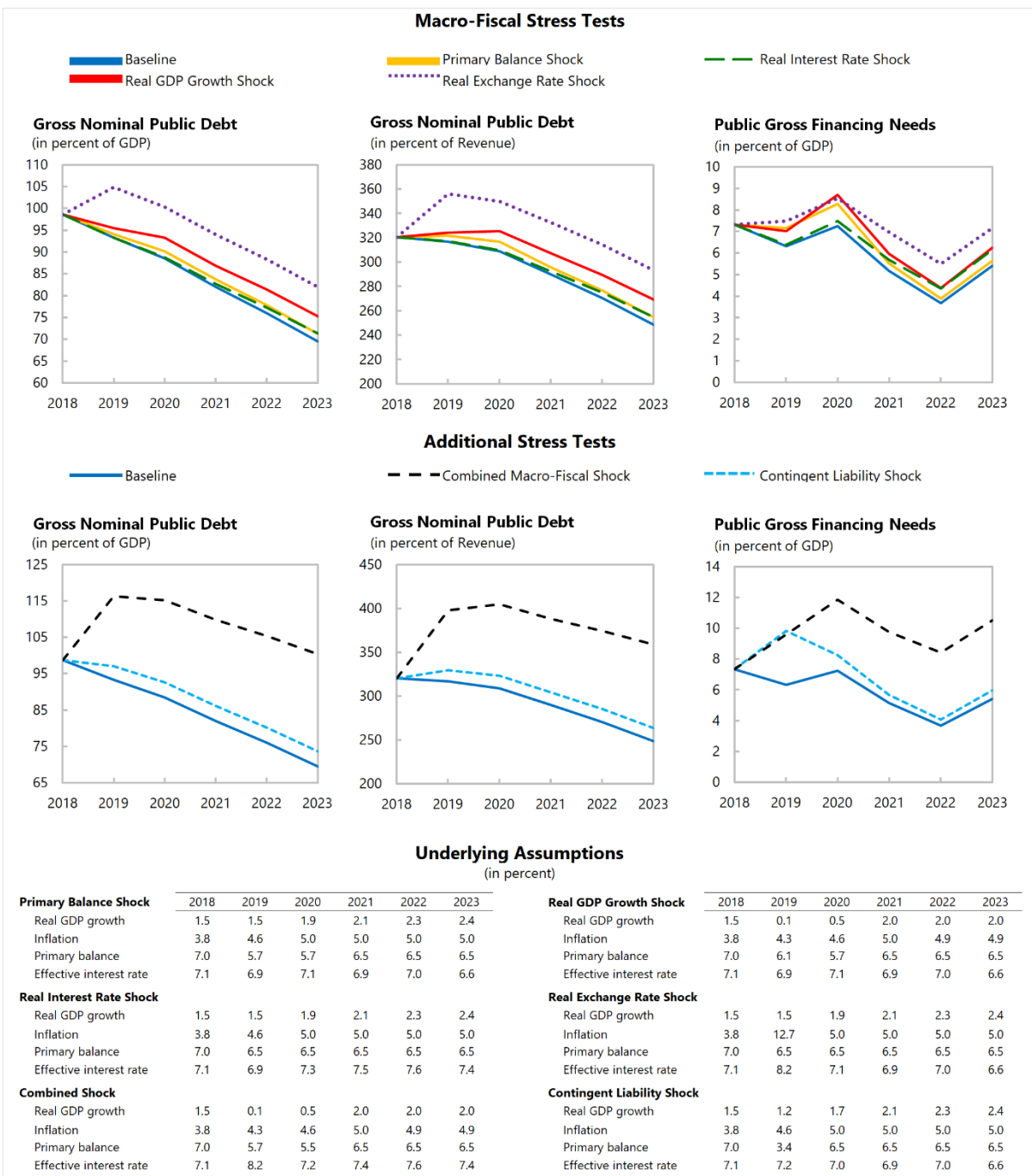


Figure A.2.5 Jamaica Public DSA—Stress Tests

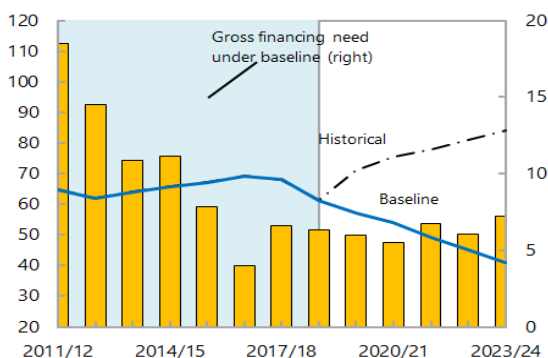


Source: IMF staff.

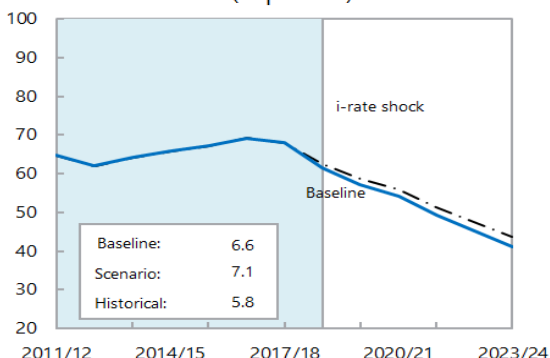
Figure A.2.6. Jamaica External Debt Sustainability: Bound Tests ^{1/2/}

(External debt in percent of GDP)

Baseline and historical scenarios

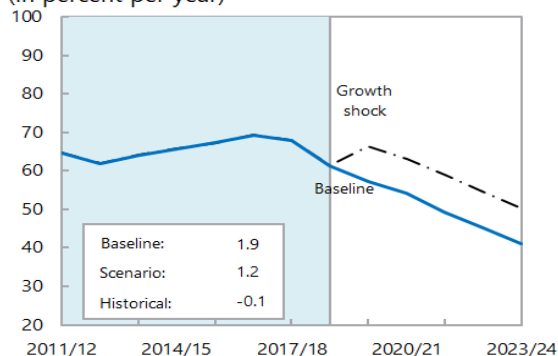


Interest rate shock (in percent)



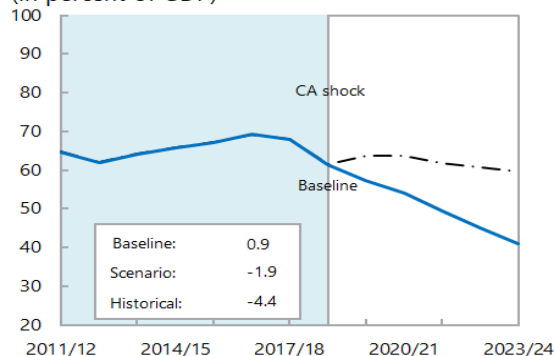
Growth shock

(in percent per year)

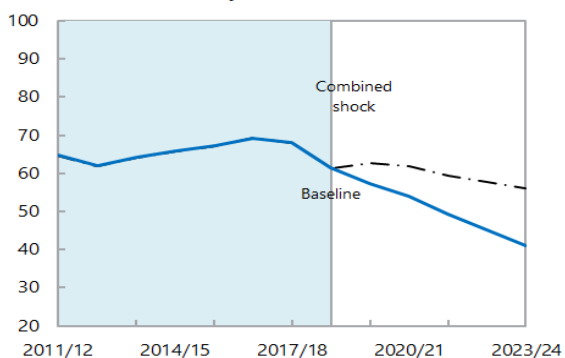


Non-interest current account shock

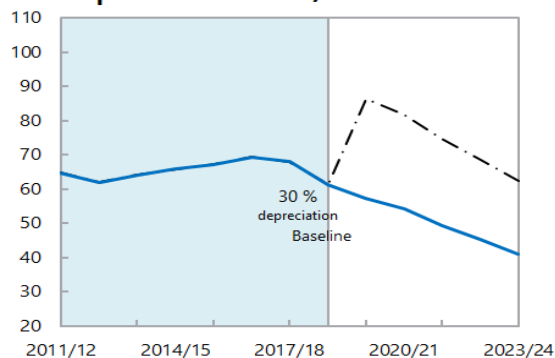
(in percent of GDP)



Combined shock 3/



Real depreciation shock 4/



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. A.2.1. Jamaica: External Debt Sustainability Framework, FY2013/14–FY2023/24

(In percent of GDP, unless otherwise indicated)

	Actual											Debt-stabilizing non-interest current account 6/ -3.5
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
1 Baseline: External debt	64.2	65.8	67.2	69.3	68.0	61.4	57.2	54.1	49.3	45.1	41.0	
2 Change in external debt	2.2	1.6	1.4	2.1	-1.3	-5.8	-4.1	-3.1	-4.9	-4.2	-4.2	
3 Identified external debt-creating flows (4+8+9)	7.8	3.7	-5.4	-3.9	-3.6	-2.0	-2.2	-2.5	-2.5	-2.4	-2.3	
4 Current account deficit, excluding interest payments	5.6	3.6	-1.5	-3.1	-0.8	-1.5	-1.0	-1.0	-0.7	-0.3	0.1	
5 Deficit in balance of goods and services	22.1	20.6	14.8	13.9	15.8	14.1	14.6	14.0	13.9	13.7	13.5	
6 Exports	30.3	31.8	30.2	31.8	33.5	35.6	35.0	34.9	34.6	34.3	33.8	
7 Imports	52.4	52.4	45.0	45.7	49.3	49.7	49.6	48.9	48.5	47.9	47.3	
8 Net non-debt creating capital inflows (negative)	-3.6	-4.3	-6.6	-4.1	-6.0	-3.5	-4.2	-4.2	-4.2	-4.2	-4.2	
9 Automatic debt dynamics 1/	5.8	4.4	2.7	3.4	3.2	3.0	3.0	2.7	2.4	2.1	1.8	
10 Contribution from nominal interest rate	3.1	3.4	3.4	4.3	3.8	4.0	3.9	3.7	3.5	3.2	2.8	
11 Contribution from real GDP growth	-0.6	-0.1	-0.6	-0.9	-0.6	-1.0	-0.9	-1.1	-1.1	-1.1	-1.1	
12 Contribution from price and exchange rate changes 2/	3.3	1.1	-1.0	1.3	-3.8	...	...	...	...	...	...
13 Residual, incl. change in gross foreign assets (2-3) 3/	-5.6	-2.1	6.8	5.9	2.3	-3.8	-2.0	-0.6	-2.4	-1.8	-1.9	
External debt-to-exports ratio (in percent)	211.8	206.6	222.6	217.9	203.0	172.3	163.4	155.1	142.4	131.7	121.2	
Gross external financing need (in billions of US dollars) 4/	1.5	1.5	1.1	0.6	1.0	0.6	1.0	1.0	1.0	0.9	1.2	
in percent of GDP	10.9	11.1	7.9	4.0	6.6	4.0	6.5	6.2	5.9	5.4	6.6	
Scenario with key variables at their historical averages 5/						69.0	71.1	75.5	78.0	81.1	84.0	-0.4
Key Macroeconomic Assumptions Underlying Baseline						<u>10-Year Historical Average</u>	<u>10-Year Standard Deviation</u>					
Real GDP growth (in percent)	1.0	0.2	1.0	1.4	0.9	-0.1	1.4	1.5	1.5	1.9	2.1	2.3
GDP deflator in US dollars (change in percent)	-5.1	-1.7	1.5	-1.9	5.8	1.6	5.3	-1.9	5.8	2.1	0.8	2.3
Nominal external interest rate (in percent)	4.8	5.2	5.3	6.4	5.8	5.8	1.0	6.1	6.5	6.8	6.7	6.8
Growth of exports (US dollar terms, in percent)	-5.1	3.5	-2.8	4.7	12.4	-0.2	8.8	10.3	0.6	3.9	3.6	3.4
Growth of imports (US dollar terms, in percent)	-6.0	-1.5	-12.0	1.0	15.0	-0.9	13.7	4.6	2.1	2.7	3.7	3.2
Current account balance, excluding interest payments	-5.6	-3.6	1.5	3.1	0.8	-4.4	5.5	1.5	1.0	1.0	0.7	0.3
Net non-debt creating capital inflows	3.6	4.3	6.6	4.1	6.0	3.8	1.9	3.5	4.2	4.2	4.2	4.2

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.

Appendix I. Letter of Intent

Kingston, Jamaica
March 26, 2019

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde,

The Government of Jamaica's (GOJ) commitment to sustained reforms, supported by the Stand-By Arrangement (SBA) since November 2016, is yielding tangible dividends for our people—the unemployment rate is near historic lows, murders are declining, and economic expansion—although lower than what we had hoped for—has materialized for 6 consecutive years, with the level of GDP reaching pre-global financial crisis levels.

We are pleased to report that all quantitative performance criteria for end-December 2018 were met. The legislation to amend the Bank of Jamaica (BOJ) Act to support the institution of full-fledged inflation targeting is now before Parliament; other structural reforms, including the special resolution regime for financial institutions, are on track.

We are committed to enhancing the governance of public bodies. We plan to pass regulations that will enshrine in law important aspects of the policy governing a transparent process of Board nomination, selection and appointment for public bodies. Board continuity will be improved, and boards will undergo regular performance evaluations. We will address the deficiencies identified in the Auditor General's report on Petrojam and we are taking decisive measures to improve Petrojam's viability, including by buying back Venezuela's 49 percent stake in the refinery. The Petrojam Review Commission report is expected to help identify next steps for the entity's operational sustainability.

We are pleased that the public-debt-to GDP ratio is expected to fall below 100 percent for the first time in nearly two decades. To maintain this downward debt trajectory, the Government of Jamaica has adopted a budget for FY2019/20 that is consistent with a primary surplus of 6.5 percent of GDP. We remain on track to reduce our public debt-to-GDP ratio to or below 60 percent by FY2025/26, as mandated by our Fiscal Responsibility Law. To foster inclusive growth, the budget reduces or eliminates a range of distortionary taxes, provides increased support to our most vulnerable citizens and allocates additional resources to support citizen security.

To keep the Jamaican people better informed about the country's public finances, we have for the first time issued a citizen's guide to the budget. BOJ has also been communicating the importance of price stability as our primary monetary policy goal, using innovative approaches tailored to Jamaica.

BOJ is also committed to taking the necessary policy actions to restore inflation to the target range of 4-6 percent.

With support from the IMF and other development partners, we are further strengthening financial system stability, deepening our foreign exchange market, further developing our debt and capital markets, improving the transmission of monetary policy, and promoting financial inclusion. We remain committed to a flexible exchange rate and to conducting FX sales only during disorderly market conditions.

The Memorandum of Economic and Financial Policies (Attachment I) 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 II).

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

Very truly yours,

/s/

Andrew Holness
Prime Minister

/s/

Nigel Clarke
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. We are currently strengthening domestic institutions to ensure policy continuity after exit from the Fund-supported programme this year. Our ultimate focus remains to increase growth and resilience and raise the living standards of all Jamaicans, while maintaining our public debt on a firm downward trajectory. Combatting crime is our highest policy priority as evidenced by increased support in the budget for projects under Plan Secure Jamaica. To achieve these objectives, key elements of our policy programme include:

The FY2019/20 Budget

2. The FY2019/20 budget recently adopted by Parliament envisages a primary surplus of 6½ percent of GDP, ½ percent of GDP lower than last year to support inclusive growth. This additional space will contribute to increase support to our most vulnerable citizens (J\$3.8 billion) and better equip the security forces in the fight against crime (J\$7.6 billion).

3. We are also taking advantage of our expanded tax base to phase out distortionary financial transaction taxes. For FY19/20, we will reduce the transfer taxes on real property and financial instruments from 5 to 2 percent (J\$3.4 billion), eliminate ad-valorem stamp duties (J\$6.7 billion), increase the GCT threshold to J\$10 million (J\$0.7 billion), eliminate the minimum business tax (J\$1.1 billion), and eliminate the asset tax on non-financial corporations (J\$1.8 billion).

Durable Wage Bill Reduction

4. The government is expected to meet its 9 percent of GDP wage bill target in FY18/19, as warranted under the Fiscal Responsibility Law. To increase efficiency and lessen wage costs, we are moving towards shared corporate services, starting with Human Resources and followed by Internal Audit and PR and Communication. We have launched consultation with key stakeholders on the new public sector compensation framework being developed to transform our complex salary structure to (1) better reward performance; and (2) streamline the vast and inequitable system of allowances. Also, digitalizing the public sector will allow for a better integration of processes, a smaller government workforce and faster and more efficient delivery of services in the public sphere.

5. The government will prioritize essential government functions/services to free-up resources for urgently-needed social and capital spending. As a step in this direction, we have merged, closed, or reintegrated 30 public bodies to date and have identified 18 others for actioning over the twelve months to September 2019.

¹ This Memorandum of Economic and Financial Policies updates measures undertaken and/or committed to since the fourth SBA review (IMF Report No. 18/304). The Government of Jamaica's full commitments under the SBA are in IMF Report No. 17/98.

Modernizing the Central Bank

- 6. We have submitted to Parliament legislation to further modernize Bank of Jamaica's monetary policy framework and make price stability the BOJ's central mandate (*end-October 2018 structural benchmark*).** These reforms will improve the BOJ's governance and accountability structure and strengthen its balance sheet.
- 7. The BOJ has developed (with IMF technical assistance) and published a communication strategy to support the shift to inflation targeting and ensure clarity and transparency in its policy messages.** The BOJ has started sensitizing the public on this major shift, using innovative approaches to central bank communication tailored to the Jamaican context.
- 8. Inflation has remained below target for most of the fiscal year and the BOJ remains committed to steering it towards the centre of the 4–6 percent target range.** We are confident that the combination of data-dependent policy interest rate cuts, the unwinding of temporary supply-side factors in agriculture, and ongoing measures to improve monetary policy transmission will bring inflation to 5 percent by the first half of 2020.
- 9. The BOJ continues, in consultation with the Fund, to further deepen the FX market, and develop the debt and capital markets.**
- *FX market.* We are working toward: (1) strengthening the infrastructure by introducing a market trading platform that is integrated with the payments and settlement systems; (2) developing regulations for FX market hedging instruments, and engaging with market participants to develop criteria for pricing and monitoring; (3) phasing public enterprises into the market; (4) phasing out surrender requirements; (5) upgrading the monitoring and enforcement capacity for FX Net Open Position limits and developing the prudential regime for the limits; and (6) strengthening market intelligence so as to better understand market dynamics and calibrate our FX market sales in a way that is consistent with our commitment to limiting them to episodes of disorderly market conditions.
 - *Debt and capital markets:* In conjunction with the GOJ, we intend to develop the primary and secondary debt markets and build a liquid benchmark government yield curve. This entails (1) improving coordination on issuances between the GOJ and BOJ; (2) bolstering market surveillance and debt management operations; and (3) establishing a trading platform to foster price discovery and improve liquidity and secondary market trading in GOJ securities.

Further Strengthening the Financial Sector

- 10. We are committed to accelerating implementation of measures that enhance financial deepening and improve access to finance for businesses and households to support inclusive growth.** Specifically:

- We are examining the scope to further reduce the J\$ liquid asset requirement (from the current level of 23 percent) and are advancing in calibrating and transitioning to a liquidity coverage ratio (LCR) that is in line with international norms.
- We have lowered the J\$ cash reserve requirement from 12 to 9 percent and with it the overall J\$ liquid asset requirement, and will make further reductions over time as deemed necessary.
- We will improve credit reporting and have revised the prudential standards on problem assets and provisioning requirements.

11. In line with the FSAP recommendations, we are upgrading our oversight capacity.

Specifically, we are:

- Enhancing our data collection on the interconnectedness of financial institutions and strengthening risk-based and consolidated supervision.
- Developing transparent criteria for identifying systemically important financial institutions to help contain systemic risk, and start operationalizing those criteria by March 2020.
- Submitting the special resolution regime for financial institutions to Parliament in September 2019, including the enabling provisions for resolution funding.
- Strengthening the AML/CFT regime, in line with recommendations from the CFATF 2017 Mutual Evaluation, including through a close coordination between the financial regulators and the Financial Investigation Division of the Finance Ministry.
- Proposing to raise the investment limits for pension funds from 0 to 5 percent to allow investment in private equity. Such investment is expected to support innovation, opportunity and growth.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies¹

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.	Mar-19		On track.
Fiscal Institutional Reform				
Fiscal Council	Submit to Parliament legislation establishing a Fiscal Council by September 2019, with Cabinet submission by December 2018.	Sep-19		Cabinet submission delayed. On track for September 2019.
Disaster Risk Financing	Develop and submit to Parliament a National Natural Disaster Risk Financing Policy for Jamaica by end-June 2019.	Jun-19		On track.
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.
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		Completed with delay.
¹ This updated policy matrix highlights measures undertaken and/or committed since the fourth SBA review in November 2018, IMF Country Report No. 18/304 provides measures completed between the third review in April 2018 and the fourth review.				

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
	(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		(i) Target met with delay; (ii) Completed; (iii) Target delayed beyond revised date of February 2019; (iv) Target delayed; (v) Target delayed; (vi) Target met.
	Complete all necessary legal changes to reintegrate PCDF into central government.	Mar-19		On track.
	Complete the merger/closure/reintegration of an additional 18 public bodies for action in the next twelve months as identified in the Public Bodies Action List.	Sep-19		On track.
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
	Complete inventory of public sector functions/services with a recommendation for prioritization for submission to Cabinet.	Jul-19		On track.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
Public Service Reform				
Wage bill (pay structure and workforce)	Submit to Cabinet the final Performance Management Mechanism to include standards of performance and an aligned reward system.	Dec-18		Target delayed to November 2019.
	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		Target met and ongoing. Data being submitted in a more timely manner; however, compliance remains below target.
	Complete stakeholder consultations on compensation reform by March 2019; Develop a standardized salary scale for the central government by September 2019; and submit to Cabinet completed standardized salary scales with an implementation plan for approval.	Sep-19		Completion of stakeholder consultation delayed to October 2019. Cabinet submission delayed to November 2019.
HCMES	Complete roll-out of the human resources software (HCMES) for 14 entities.	Dec-18		13 out of 14 completed, remainder delayed to March 2019.
Revenue Administration				
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		Target delayed to revised date of April 2019 for RAA. On track for revised date of September 2019 for ITA.
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		On track. 50 percent reduction of stock of arrears completed as of December 2018.
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		Target delayed to July 2019.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
Trade facilitation	Submit a Bill to repeal and replace the Customs Act to Parliament.	Mar-19 (Revised Date)		Target on track for revised date.
SEZs	Complete an inventory of all entities currently in Export Free Zones and Special Economic Zones, with data on their employment levels.	Sep-18		Target met.
Interagency Coordination	Document standard operating procedures and service standards between the SEZ Authority and the tax and customs administrations to tighten oversight (e.g., for applications, certifications, and approval of SEZ status), and ensure compliance with the SEZ rules.	Dec-18		Target met with delay.
	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		Target met.
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		On track.
	Complete development of the revenue management module (RMM).	Mar-19		On track.
	Complete (i) the review of the government's bank accounts in commercial banks outside the TSA by December 2018; and (ii) determine suitable policy actions by June 2019.	Jun-19		On track.
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	Sep-17		Target on track for revised date of May 2019 (3 positions completed and 3 outstanding).

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
	the selection process of staff has begun. We expect all offers to be made by end-September 2017.			
Debt Management				
Capacity	Reduce operational risk by ensuring adequate staffing of the Debt Management Branch (DMB)'s middle office.	Jun-17		Target on track for revised date of September 2019 (3 positions completed and 3 outstanding).
Market development	Continue issuing domestic debt securities 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		Target met by revised date of October 2018.
BOJ/GOJ coordination	To enhance the attractiveness of local currency bonds, revise collateral policy for liquidity provision by tabling amendments to the BOJ Act to permit a more granular approach to the treatment of GOJ securities. To that end, subsequently increase the collateral value of T-bills and BOJ CDs so as to better reflect the risk of underlying assets.	Oct-18		Target met.
	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.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)				
Reform Area	Measures	Date	Structural Benchmark	Implementation Status
Social Safety Net				
National Identification System (NIDS)	Complete the two-stage procurement process for acquiring a National Identification System Solution for Jamaica.	Aug-18 (Revised Date)		Target delayed (beyond the revised date of January 2019) to March 2019.
PATH graduation	Complete the reapplication for PATH families who first enrolled in PATH between 2002-2013.	Mar-19		Target delayed to August 2019.
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)	Target met.
Communication	Bank of Jamaica to publish and implement its monetary policy communication strategy.	Mid-Nov-18		Target met.
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		On track.
Financial Sector				
Liquid Asset Requirement	BOJ to begin phasing out Liquid Asset Requirement by November 2018, and plan total phase-out to coincide with the introduction of liquidity coverage ratio in line with FSSA recommendations.	Nov-18		Target met with delay in March 2019.
FX market development	Strengthen market infrastructure and price transparency by introducing a mechanism such as a FX market trading platform by March 2019. Subsequently, commence process for integrating	Sep-19		Target delayed to December 2019.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
	trading platform with e-Gate and the existing payments and settlement systems by July 2019, and issue regulations in September 2019 for market participants to exclusively trade all FX transactions via the platform by end-2019.			
	Complete consultation with the industry on the benchmarks and pricing approaches for FX forward contracts by March 2019. Draft regulations for FX market hedging activities and reporting by June 2019.	June-19		On track.
Consolidated risk-based supervision	Commence risk-based consolidated supervision pilot for at least one Domestic-Systemically Important group by May 2019. To that end the BOJ and the FSC will develop an information sharing platform to execute the pilot by December 2018.	May-19		On track.
	The BOJ and FSC will jointly monitor the retail repo mismatch ratio for securities dealers by January 2019; and the intermediate limits proposed in December 2017 for large exposure limits at the group level for all financial institutions by April 2019.	Apr-19		Monitoring retail repo mismatch ratio is on track. Large exposure limits monitoring for the group level delayed to December 2020.
Capacity Building and Staffing	Reduce systemic and operational risks and manage the transitions occurring in the financial system by ensuring adequate supervisory staffing for the sustainability of the supervisory work programme. To this end, BOJ will establish and begin staffing a unit of at least 8 persons to commence a risk-based consolidated supervision pilot of a systemically important group to inter alia include recovery planning, by December 2018.	Dec-18		Target met.
Securities dealers' reforms	The BOJ will continue to monitor market conditions and compliance with the existing limits in foreign	Continuous		Ongoing.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
	investment and assess the readiness to lift the investment cap for CIS and SDs further, from their current level of 25 percent.			
	The FSC to require all securities dealers to conduct regular stress tests and submit test results on a semi-annual basis, commencing end-June 2017. One stress test should be conducted using the dealer's audited financial statements. The results will be used as a feedback to risk-based supervision.	Continuous		Ongoing.
Crisis resolution	Submit legislation to Parliament for a Special Resolution Regime (crisis resolution) for financial institutions, including a modified insolvency regime, and funding modalities.	Sep-19		Target on track.
Financial inclusion	Table a Micro Credit Act in Parliament.	May-18		Target met by the revised date of February 2019.
	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		Target delayed to July 2019.
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.	Jun-19 (revised date)		Target on track for revised date of June 2019.
	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		Target met with delay.
Governance				
Public bodies' boards	Table regulations in Parliament that address the nomination, selection and appointment of persons to boards of public bodies.	Sep-19		

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Continued)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
Public financial management	Migrate funds from 632 commercial bank accounts with government cash balances into an account held at the BOJ in the name of the Accountant General's Department (AGD) and close those commercial bank accounts.	Sep-19		
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.	Apr-18		Target on track for revised date of April 2019.
	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		Target delayed to September 2019.
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		Target met by revised date of November 2018.
	Complete a study on banking competition.	Mar-19		Target delayed to July 2019.
	Issue 4,000 new land titles for unregistered parcels under new pilot project.	Mar-19		Target delayed to March 2020.
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		Target met.

Table 1. Jamaica: Policy Matrix for Implementation Underlying the Memorandum of Economic and Financial Policies (Concluded)

Reform Area	Measures	Date	Structural Benchmark	Implementation Status
	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.	Dec-18		(i) Target met with delay. (ii) Target met. (iii) Target delayed to March 2019.
	Implement electronic submission of development approval applications and mandatory use of AMANDA system for development approvals: (i) Table amendments to the Town and Country Planning Act and Local Improvements Act and regulations in Parliament by May 2017; (ii) Commence pilot of Public Portal Module II in 3 Local Authorities by March 2018; (iii) Complete upgrade of infrastructure of eight Local Authorities (LAs) by May 2018.	May-18		(i) Target met; (ii) Target on track for revised date of March 2019; (iii) Target on track for revised date of September 2019.
	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		Target delayed to December 2019.

Table 2. Jamaica: Schedule of Reviews and Purchases

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

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

Table 3. Jamaica: Quantitative Performance Criteria 1/2/
(In billions of Jamaican dollars unless otherwise stated)

	2018				2019			
	Indicative Target	Actual	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target	Performance Criteria	Indicative Target
	end-Sep			end-December		end-March	end-June	end-Sept.
Fiscal targets								
<i>Performance Criteria</i>								
1. Primary balance of the central government (floor) 3/	44.0	73.8	68.0	68.0	107.7	141.6	19.0	35.7
2. Overall balance of the public sector (floor) 3/	-39.2	25.8	-41.1	-36.6	29.7	-14.7	-14.0	-25.0
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0	-10.1	-8.4	-8.4	-11.1	-8.4	0.0	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	-4.9	0.0	0.0	-5.2	0.0	0.0	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	-13.1	0.0	0.0	-12.4	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
<i>Indicative targets</i>								
7. Tax revenues of the central government (floor) 3/	234.0	258.5	360.0	360.0	388.7	516.0	115.0	242.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	17.2	9.4	18.0	18.0	15.2	20.0	22.0	24.0
9. Central government spending on social programs (floor) 3/ 7/	11.9	20.1	19.4	19.4	28.3	28.2	6.7	12.3
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	1.7	3.0	3.0	1.6	3.0	3.0	3.0
Monetary targets								
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2,140	2,461	2,200	2,200	2,521	2,200	2,250	2,300
12. <i>Monetary policy consultation clause (in percent) 12/</i>								
Outer band (upper)	6.5		6.5			6.0	6.0	6.0
Center inflation target	5.0	4.3	5.0		2.4	5.0	5.0	5.0
Inner band (lower)			3.5			4.0	4.0	4.0
Outer band (lower)	3.5		2.0			2.5	2.5	2.5

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.

12/ The Monetary policy consultation clause bands consist of two types of thresholds. The Inner band triggers a Staff consultation and an Outer band triggers a Board consultation as detailed in the TMU.

Table 4. 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	Met
Public Sector Transformation		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	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 shown in Table 1.

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

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

3. **Definitions:** The central government for the purposes of the programme consists of the set of institutions currently covered under the state budget. The central government includes public bodies that are financed through the Consolidated Fund.
4. **The fiscal** year starts on April 1 in each calendar year and ends on March 31 of the following year.

A. Cumulative Floor of the Central Government Primary Balance

5. **Definitions:** The primary balance of the central government is defined as total revenues minus primary expenditure and covers non-interest government activities as specified in the budget.
6. **Revenues are recorded when the funds are transferred to a government revenue account.** Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Government-funded PPPs will be treated as traditional public procurements. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as cancellation of

existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly.

7. All primary expenditures directly settled with bonds or any other form of non-cash liability will be recorded as spending above-the-line, financed with debt issuance and will therefore affect the primary balance.

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

9. Adjuster for loan to Clarendon Alumina Production (CAP): The floor of the central government primary balance (cumulative since the beginning of the fiscal year) will be adjusted upwards by an amount equivalent to the total shortfall of principal and interest repayments due (relative to Table 2), converted at programme exchange rates.

Table 2. CAP repayment schedule	
Cumulative repayment flows to central government from beginning of each fiscal year (US\$ millions)	
end-June 2018 1/	7.46
end-December 2018	14.68
end-June 2019	6.99
1/ CAP made a prepayment in March 2018.	

B. Cumulative Floor on Overall Balance of the Public Sector

10. The public sector refers to the “Specified Public Sector” (SPS) as defined under the Fiscal Responsibility Law (FRL). In particular, it consists of the central government and self-financed public bodies that are not deemed “commercial” by the Office of the Auditor General (OAG), based on the set of legislated criteria. It excludes the Bank of Jamaica (BOJ).

11. The TMU will be updated when the formal assessment by the OAG of the commercial nature of public bodies is completed by April 1, 2020. Until completion of this OAG assessment and for the purposes of the SBA, the SPS will consist of the central government and the public bodies listed below.

12. For the purposes of the SBA, public bodies will consist of the following self-financed public bodies: AEROTEL; Airports Authority of Jamaica; Betting, Gaming and Lotteries Commission; Broadcasting Commission; Bureau of Standards; 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 Company Limited; 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; Students' Loan Bureau; Sugar Industry Authority; Transport Authority; Universal Service Fund; Urban Development Corporation; Wigton Windfarms Limited.

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

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

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

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

Table 3. Overall Balance of Petrojam (Baseline Projection)	
In billions of J\$	
end-September 2018	-42.3
end-December 2018	-31.7
end-June 2019	-31.0

C. Ceiling on Net Increase in Central Government Guaranteed Debt

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

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

D. Ceiling on Central Government Accumulation of Domestic Arrears

19. Definition: Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date in which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Central government domestic arrears include arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. This accumulation is measured as the change in the stock of domestic arrears relative to the stock at end-December 2018, which stood at J\$15.8 billion.

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

E. Non-Accumulation of External Debt Payments Arrears

21. Definition of debt: External debt is determined according to the residency criterion. The term "debt"¹ will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or

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

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.

22. Definition of external arrears: External debt payment arrears for programme monitoring purposes are defined as external debt obligations (principal and interest) falling due after March 31, 2017 that have not been paid, taking into account the grace periods specified in contractual agreements; and for the public bodies listed in paragraph 23, 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. Any debt obligation which the central government and the public bodies listed in paragraph 23 cannot pay or settle based on their contractual terms due to international and/or bilateral sanctions and which have been paid into escrow by the contractual due date, taking into account any contractual grace period, will not give rise to arrears for the purposes of this performance criterion.

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

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

F. Ceiling on Central Government Accumulation of Tax Refund Arrears

25. Definition: Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. This accumulation is measured as the change in the stock of tax refund arrears relative to the stock at end-December 2018, which stood at J\$5 billion.

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

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

27. Definitions: Net international reserves (NIR) of the BOJ (NIR-BOJ) are defined as the U.S. dollar value of gross foreign assets of the BOJ minus gross foreign liabilities. Funds deposited into escrow to meet any contractual debt obligations that cannot be settled due to international and/or bilateral sanctions will not count towards net international reserves. Non-borrowed NIR is defined as NIR-BOJ minus all foreign currency liabilities issued by the BOJ and held by residents. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the programme exchange rates.

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

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

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

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

Table 4. External Program Disbursements (Baseline Projection)	
Cumulative flows from end-March 2016	(In millions of US\$)
External loans from multilateral sources	
End-March 2019	357
End-June 2019	412
End-September 2019	482
Budget support grants	
End-March 2019	19.7
End-June 2019	19.7
End-September 2019	19.7
Commercial loans guaranteed by multilateral sources	
End-March 2019	0.0
End-June 2019	0.0
End-September 2019	0.0

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

32. The performance criterion on the introduction or modification of multiple currency practices (MCP) will continue to exclude the ongoing implementation or modifications in 2019 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

A. Cumulative Floor on Central Government Tax Revenues

33. Definition: Tax revenues refer to revenues from tax collection. It excludes all revenues from asset sales, grants, bauxite levy and non-tax revenues. To gauge the impact of the tax policy reforms and improvements in tax administration, the programme will have a floor on central government tax revenues (indicative target). The revenue target is calculated as the cumulative flow from the beginning to the end of the fiscal year (April 1 to March 31).

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

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

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

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

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

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

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

C. Floor on Central Government Spending on Social Programmes

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

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

- *Youth employment programmes* comprising on the job training, summer employment and employment internship programme.
- *Conditional cash transfers* comprising children health grant, children education grants, tertiary

level, pregnant and lactation grants, disabled adult grants, adult under 65 grants and adults over 65 grants.

- *Poor relief programme.*

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

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

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

D. Ceiling on User-Funded PPPs

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

45. For the purpose of this condition, the applicable GDP is the projected nominal GDP for the ongoing fiscal year published in the Fiscal Policy Paper tabled in parliament ahead of the adoption of the FY19/20 budget. For FY2019/20, the projected nominal GDP used as a reference is J\$2,156 billion, as presented in Table 3K, Macroeconomic Framework, of the FY19/20 Fiscal Policy Paper.

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

III. MONETARY POLICY CONSULTATION CLAUSE

A. Monetary Policy Consultation Clause

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

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

49. Consultation with IMF Board would be triggered for the June 2019 test date if inflation falls below 2.5 percent or is above 6 percent. The consultation with the Board will be 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. In addition, a staff consultation clause whereby the BOJ will consult with IMF staff on the outlook for inflation and the proposed policy response will be triggered if inflation falls below 4 percent for the June 2019 test date.

Table 5. Inflation Consultation Band	
	June 2019
Upper band	6.0
Center point	5.0
Inner band	4.0
Lower outer band	2.5

IV. CONDITIONALITY ON PUBLIC BODIES' DOMESTIC ARREARS

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

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

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

V. INFORMATION REQUIREMENTS

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

A. Daily

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

B. Weekly

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

C. Monthly

- Central government operations including monthly cash flow from the beginning to the end of the current fiscal year (and backward revisions as necessary), with a lag of no more than six weeks after the closing of each month.
- Public entities' Statement A: consolidated and by institution for the self-financed public bodies defined in I.B with a lag of no more than six weeks after the closing of each month.
- Central government debt amortization and repayments (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). Includes government direct, government guaranteed and total. In the case of issuance of government guaranteed debt, include the name of the guaranteed individual/institution. The reporting lag should not exceed six weeks after the closing of each month.

- Amortization and repayments of public bodies' non-guaranteed debt for each of the Selected Public Bodies listed in I.B.
- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.
- Stock of central government domestic debt and domestic expenditure arrears.
- Stock of central government tax refund arrears.
- Central government spending on social protection as defined for the indicative target on social spending.
- Central government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external); (ii) instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); 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 six weeks of month end; weighted average deposit and loan rates within six weeks after month end.
- Financial statements of core securities dealers and insurance companies within six weeks of month end.
- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.

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

- Data on reserve liabilities items for NBR target purposes 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.
- 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.