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June 20, 2014

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Jamaica: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

June 5, 2014

The following item is a Letter of Intent of the government of Jamaica, which describes the policies that Jamaica intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Jamaica, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

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MINISTRY OF FINANCE AND PLANNING
30 NATIONAL HEROES CIRCLE
P.O. BOX 512
KINGSTON
JAMAICA

June 5, 2014

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

Dear Ms. Lagarde,

Jamaica has made a strong start in implementing its Fund-supported economic reform programme aimed at overcoming the long-standing problems of low growth and high debt. All quantitative fiscal and monetary performance criteria at end-June, September and December 2013 and at end-March 2014 were met, as were the associated indicative targets, with the exception of the end-March 2014 indicative target on tax collection, that remained out of reach as a result of the weak economy. The government has also implemented all of the structural benchmarks that were included in the programme, albeit with some minor delays. While economic growth remains weak and unemployment much too high, we are confident that the benefits of our strategy will become increasingly evident over time, as a more stable macroeconomic environment, a credible return to debt sustainability and an improved business climate will attract new investments and result in durable job creation and increased prosperity.

The Government remains fully committed to meeting the objectives of the programme, as well as the specific targets set out in the April 2013 Memorandum of Economic and Financial Policies (MEFP), and its September 2013, December 2013, and March 2014 supplements. In the fiscal area, the government will press ahead with implementing comprehensive tax reform and the enhanced fiscal rule, and adopt a range of measures to strengthen public financial management. In the financial sector, the government is moving forward with reforms to facilitate the transition by securities dealers towards a more robust business model.

Attachment 1 to this letter is a new comprehensive MEFP, presenting performance under the programme, and updating some specific policies to meet the programme's ultimate objectives, including the associated quantitative targets and structural benchmarks. Attachment 2 is the updated Technical Memorandum of Understanding.

On the basis of our performance under the programme thus far, as well as our sincere commitment to the continued implementation of the programme, including its proposed revisions, the government requests that the Executive Board of the IMF complete the fourth review of the extended arrangement under the Extended Fund Facility, approve the proposed modifications of performance criteria as well as new performance criteria for March 2015, and approve the fifth purchase under the arrangement of SDR 45.95 million. In this context, we request that this purchase be used to help meet the government's financing needs directly.

The government believes that the policies described in the attached MEFP are adequate to achieve the programme's objectives. However, if necessary, the government stands ready to take any additional measures that may be required. The government will consult with the Fund on the adoption of these measures and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation.

The government will also provide the Fund staff with all the relevant information required to complete programme reviews and monitor performance on a timely basis. The government will observe the standard performance criteria against imposing or intensifying exchange restrictions, introducing or modifying multiple currency practices, concluding bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement and imposing or intensifying import restrictions for balance of payments reasons.

As part of our communication policy, we intend to publish this letter on the websites of the Ministry of Finance and Planning and the Bank of Jamaica to keep domestic and international agents informed about our policy actions and intentions. In that regard, we authorize the Fund to publish this letter and its attachments, as well as the associated staff report.

Very truly yours,

Peter D. Phillips,
Minister of Finance and Planning
Jamaica

Brian Wynter
Governor, Bank of Jamaica
Jamaica

Attachment I. Memorandum of Economic and Financial Policies

PROGRAMME OBJECTIVES AND GROWTH STRATEGY

1. **The Jamaican government has embarked on a comprehensive reform programme aimed at raising economic growth**. The programme is underpinned by the understanding that fiscal and debt sustainability are necessary conditions for macroeconomic stability and economic growth. A sharp reduction in the debt burden will be conducive to higher private sector-led growth as the government frees more of the available domestic resources and as economic confidence is bolstered. In addition, in this environment, government spending can be directed toward the catalytic development of infrastructure to support growth. The programme also includes key measures to improve the business climate and is supported by major strategic investments, such as the North-South highway, which will link the northern and southern sides of the island, new power plants, and logistics infrastructure. The programme aims at raising GDP growth to more than 2 percent by FY 2016/17.

2. **To help soften any negative impact on the poor, the programme includes important measures to strengthen the social safety net.** The programme has been designed to ensure that the adjustment burden is effectively shared across society and economic agents. Safeguards have been included to ensure that the social safety net is not only preserved but broadened, with special attention to enhancing those social programmes that are well targeted and far-reaching.

3. **Broad agreement on the need to reform the economy is critical for the success of the programme**. The programme continues to benefit from the support of the Partnership for Jamaica Agreement, and from the active involvement of private stakeholders such as through the Economic Programme Oversight Committee (EPOC).

4. **While significant progress has been made in the first year of the programme, much remains to be done.** Importantly, debt has now firmly been put on a downward trajectory: debt-to-GDP declined from 147 percent of GDP in March 2013 to 140 percent of GDP by March 2014. Key reforms that were adopted in the first year of the programme include the December 2013 tax incentive legislation, and the adoption of a fiscal rule in March 2014. Major reforms to be taken forward in the second year of the programme include public sector transformation, public pension reform, reform of the securities dealers sector, and streamlining of the process for construction permits, while also maintaining a prudent fiscal stance.

5. **On May 1, 2013 the Fund's Executive Board approved a four-year extended arrangement under the EFF in support of Jamaica's economic reform programme.** The First Review of the program was completed on September 30, 2013, the Second Review on December 18, 2013, and the Third Review on March 19, 2014. Program reviews will continue to be conducted on a quarterly basis.

RECENT ECONOMIC DEVELOPMENTS

6. Economic performance during the first year of the programme has been mixed, reflecting a challenging economic environment.

- **Economic Growth.** Real GDP is estimated to have increased by 0.9 percent in FY2013/14, with growth in the January to March quarter estimated at 1.6 percent, supported by growth in tourism, mining and agriculture.
- **Inflation.** Consumer price inflation decreased to 7.6 percent (year-on-year) in April 2014, reflecting increased administered prices and the pass-through of nominal depreciation into domestic prices.
- **Balance of Payments.** The current account deficit is now estimated at 9.5 percent of GDP in 2013/14, down from 11.5 percent in 2012/13, supported by nominal exchange rate depreciation and fiscal consolidation. Net international reserves (NIR) increased to US$1,309.75 million (at programme exchange rates) by end-March 2014, in compliance with the programme's NIR target. As of end-May, reserves amounted to US$1,166.79 million.
- **Public Finances.** Fiscal performance in FY 2013/14 was broadly satisfactory. Tax revenues were weaker than budgeted by about 4.8 percent due to lower international trade taxes and PAYE receipts. However, higher than budgeted grant receipts and non-tax revenues mitigated the impact of the lower tax collection, reducing the overall revenue shortfall relative to the budget to 2.5 percent. Total expenditures were about 5 percent below the amount budgeted, with capital expenditure and savings on the interest bill contributing most of the containment in spending. The primary balance was slightly over the target while the central government fiscal balance recorded a surplus of J$1 billion instead of the budgeted deficit of J$8 billion due to lower interest payments. The overall balance of the public sector exceeded target, on account of a stronger performance of public bodies as a group, despite uneven performance across the sub-group of "Selected Public Bodies".

PERFORMANCE UNDER THE PROGRAMME

7. Overall policy implementation under the programme remains strong and structural reforms are progressing. All quantitative performance targets and indicative targets for end-March were met, with the exception of the end-March 2014 indicative target for tax collection (Table 1). Structural benchmarks due in the first quarter of calendar year 2014 were also met, albeit that the Banking Services Bill[1], tabled in March, required subsequent and still ongoing fine-tuning in collaboration with Fund staff. In addition, the elimination of the zero-rating under the GCT for government purchases will commence in July 2014 rather than in April.

[1] Referred to in the previous MEFP as the Omnibus Banking Act.

POLICIES FOR 2014/15 AND BEYOND

8. The government remains fully committed to the reform strategy and the supporting policies outlined in the April 2013 MEFP and its supplements. This new MEFP builds on these and provides a comprehensive overview of our reform programme. The quantitative targets that serve as performance criteria and indicative targets under the programme have been updated and extended through March 2015. These updated targets are presented in Table 1. The structural conditionality under the programme, incorporating several modifications discussed below, is presented in Table 2.

9. A budget for 2014/15 that is consistent with and supports our economic programme was tabled, discussed and approved in April 2014 (*structural benchmark*) and adopted by parliament in May 2014. It envisages a reduction of the wage bill by 0.6 percentage point of GDP supported by the wage freeze and through attrition and redeployment of tasks, along with an increase in programme outlays reflecting a reclassification of items previously in the capital budget, such as maintenance, along with an allocation to cover the GCT to be levied on government purchases. Additional tax measures include broadening the base for excise duties on alcohol, extending the GCT to the import of services, and additional levies on financial sector entities and services. Furthermore, the threshold of the Personal Income Tax has been raised and customs duties on certain vehicles were reduced to alleviate the tax burden. The budget also provides for speedier tax refunds. After adjusting for the reclassification (0.5 percent of GDP), capital expenditure is projected to remain about constant in percent of GDP. The budget also provides for higher interest payments than in the last four years to settle accrued interest obligations. The primary balance will be maintained at its target of 7.5 percent of GDP and the budget deficit is projected to be 0.4 percent of GDP.

Tax Reforms

10. A blueprint of the key elements of the reform that have been defined thus far was tabled and approved by a sub-committee of parliament in February 2014.

11. Major elements of the reformed tax system are now in effect:

- The **Fiscal Incentives Legislative Instruments** adopted by Parliament in December 2013 have put in place a rule-based regime for limited tax incentives to replace the existing (mostly sectoral) schemes, as described in the December 2013 MEFP supplement.
- The **Minimum Business Tax** initially announced in FY2012/13 was implemented by way of a provisional order starting April 2014. Permanent legislation will be passed by September 2014.
- Under the new **Charities Act,** the government has ceased the granting of waivers to charities other than under the new Act and, effective December 1, 2013, all new applications (organizations/individuals) must be registered under the new regime, in order to be eligible for exemptions granted under the Act. A transitional period of six months has been provided under

the new Charities Act to existing charities to facilitate registration at the end of which, if not registered as per the new regime, these entities would no longer qualify to benefit from requisite exemptions. This transition period ends on June 24, 2014.

- An amendment to the **Customs Act** adopted by parliament in December 2013 simplified the tariff structure and reduced opportunities for misclassification. To reduce tariff dispersion, high rates were substantially reduced, generally converging to a standard maximum rate of 20 percent and subject to CARICOM requirements (while the tariff levied on a number of goods was increased from zero to 5 percent). In addition, while maintaining compliance with the CARICOM tariff regime, import duties on essential inputs for domestic producers are subject to a zero rate. The process to minimize abuse is being strengthened, in consultation with the IDB, through revised and newly established lists of eligible inputs, strong administrative controls and appropriate penalties. The lists presenting such inputs will be subject to parliamentary review. The Government also intends to continue reforming the tariff structure and to promote amendments to the CARICOM regime with the objective of reducing tariff dispersion further.

- A first phase in the **amalgamation of statutory payroll deductions** was completed by finalizing and gazetting the SO3 form in March 2014. Annual return of the SO4 form is to be completed by end-December 2014.

12. Amendments to the GCT Act are to be tabled by June 2014 (structural benchmark). The main objectives of the reform of the General Consumption Tax (GCT) are to broaden the tax base and improve its administration. Key elements, that will be effective as of July 1, 2014, are:

- Broadening the application of GCT and SCT on motor vehicles, including by curtailing the availability of a reduced rate of SCT on selected motor vehicle imports by limiting the CIF value to US$35,000 afforded to pickup trucks used for agricultural activity.
- Elimination of the exempt status of electricity for independent private power producers.
- Startup companies will be allowed to claim GCT refunds for excess credit immediately.
- The zero-rating of government purchases will be eliminated.
- The tax base was broadened as of April 1 2014 by allowing for the payment of GCT on vehicles up to 10 years old, by Provisional Order and the extension of the GCT to imported services other than electricity, business processing, tourist accommodations and imports by the bauxite/alumina subsector. This reform will be made permanent via the amendments to the GCT Act.

13. Important follow-up actions will still be needed as part of the tax reform. In the context of the new tax incentives legislation, an expeditious transition by entities with grandfathered incentives to the new regime will be important for achieving the expected decline in tax expenditures. In this context, the Government will conduct an entity by entity review of all entities with grandfathered incentives and of their regime by end-FY2014/15 (*structural benchmark for*

January 2015), to serve as a basis for discussion to facilitate transition to the new regime by mutual agreement between authorities and entities. Technical assistance for this review has been requested from the IDB. A study on the scope for imposing GCT on petroleum products versus the existing SCT, within the context of no net increase in petroleum taxation has now been completed; its conclusions will inform decisions regarding any adjustment to the existing petroleum tax structure in FY2015/16. Looking ahead, we will assess the need for a further reduction in tax expenditures in the context of the 2015/16 budget on the basis of revenue needs and an assessment of the degree to which the recent reforms will result in a progressive decline in tax expenditures over time, as grandfathered incentives come to an end. Over the medium term, a convergence of personal and corporate income tax rates to a uniform standard headline rate is also envisaged, subject to available fiscal space and the attainment of revenue targets.

14. Property tax reform is envisaged to be ready for implementation by the start of FY2015/16. This will include amendments to the Property Tax Act and the Land Valuation Act to provide for, among other things, the publication of names, valuation numbers, addresses and amounts outstanding of delinquent property owners in the public media, subject to court proceedings, as well as provisions to allow utilization of a wide array of media for the posting of Assessment Notices. Amendments to the Land Valuation Act will also provide for the interim adjustment of land values in periods of no more than two years, to take account of changes in economic conditions and/or change in the use of properties.

15. Reforms to strengthen tax and customs administration are proceeding. Steps to improve tax and customs administration will be guided by the revenue administration action plan prepared in collaboration with the IMF and IDB. In particular, we have recently:

- Initiated discussions with banks to seek reduction in excessive charges for processing tax and customs revenue receipts. More generally, an improved payment regime is expected to be implemented before end-2014.

- Continued to improve JCA and TAJ accounting and financial systems, through the introduction of ACCPAC (Accrual Accounting System) in March 2014 for the JCA. Introduction of this system is expected for June 2014 for the TAJ, in compliance with the Executive Agency Regulatory Framework.

- Started to use RTGS as an alternative channel for payment of duties and taxes on commercial imports. Phase I was implemented January 2013, for travel tax and passenger levy payments. Phase II, to include duties and other taxes, commenced in March 2014. The system is now operational for two banks, and others are expected to be added.

- Established concrete steps to increase electronic filing, based on the amendment to the RAA. In particular, in March 2014, e-filing became mandatory for LTO clients with respect to the GCT and CIT (structural benchmark) and with respect to payroll taxes for employers with more than 20 employees.

16. Next steps to strengthen tax and customs administration include:

- Setting up a modernization programme office in the TAJ before end-September 2014.
- Improving large taxpayer administration through: (i) increasing the number of staff by a further 50 auditors (from March 2014 to March 2015); (ii) increasing the number of (full plus issue) audits completed in the large taxpayers office (LTO) by 100 percent (from FY 2013/14 to FY 2014/15); (iii) achieving 95 percent take up rate of e-filing and e-payment in the LTO (March 2015) (*new structural benchmark, March 2015*). We also aim to write off debts that have been subjected to risk-rated stress tests and consequently categorised as uncollectible in accordance with the Regulations by end-March 2015.
- Enacting additional legislative reforms in tax and customs. Specifically:
  - (i) revise and enact the Revenue Administration Act and the Tax Collection Act to strengthen the powers of Tax Administration Jamaica (TAJ) and Jamaica Customs Agency (JCA) to collect outstanding arrears (including powers to seize and sell taxpayers' property, harmonized penalties and fines where appropriate and mandatory income tax filing for every business), in line with IMF (FAD) TA (July 2014).
  - (ii) enact amendments to the Customs Act to facilitate implementation of ASYCUDA World and trade facilitation (September 2014).
- Automating tax and customs operations by implementing:
  - (i) ASYCUDA World for the Kingston Port as a pilot site (*new structural benchmark for December 2014*),
  - (ii) Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package (*new structural benchmark for February 2015*),
  - (iii) ASYCUDA-World integrated customs software package for the entire country (March 2016), and
  - (iv) GENTAX integrated tax software package for all taxes (April 2016).
- Preparing an estimate of the revenue compliance gap for the GCT by February 2015, to provide a basis for measuring the impact of administrative reforms.
- Establishing the Revenue Appeals Department as a separate, independent entity, with IFC support (October 2014).

A Fiscal Rule

17. A new fiscal rule to enhance fiscal transparency and lock in the gains of fiscal consolidation was adopted by Parliament in March 2014. The relevant existing legislation (in the Financial Administration and Audit (FAA) Act and the Public Bodies Management and Accountability (PBMA) Act was amended to implement the rule. The new fiscal policy framework limits the annual budgeted overall fiscal balance of the public sector excluding the BoJ and commercially-oriented public bodies, to achieve a reduction in public debt to no more than 60 percent of GDP by the end of FY 2025/26. The March 2014 MEFP supplement described the new rule in detail, including its coverage, automatic correction mechanism, escape clause, and compliance regime. The amendments also put into place a binding permanent budget calendar envisaging budget approval prior to the fiscal year, starting with the budget for FY2015/16.

18. Next steps to ensure effective implementation of the fiscal rule include:

- The government will continue its broad public information campaign on the objectives and features of a new fiscal rule.
- As experience is gained under the rules-based framework, consultations with public stakeholders will continue on possible steps for further strengthening the legal foundations of the fiscal rule.
- The classification rules for determining which entities could be deemed commercial and, on that basis, could be excluded from the coverage of the fiscal rule, will be developed in consultation with Fund staff by July 2014.
- The government will develop mechanisms to closely monitor possible fiscal costs and contingencies associated with possible PPPs. In particular, the Ministry of Finance and Planning will develop the capacity to: (i) analyze PPP contracts, which includes the proper identification of direct fiscal impacts and valuation of contingent obligations to ensure consistency with the fiscal rule; (ii) disclose fiscal risks (both explicit and implicit); and (iii) conduct value-for-money analyses.
- Furthermore, the total loan value of all new user-funded PPPs will be capped at 3 percent of GDP on a cumulative basis over the program period (*new continuous structural benchmark*). In case the Office of the Auditor General (OAG) has established that a PPP involves only minimal fiscal 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) the project could be exempted from the PPP ceiling.
- The capacity of the (OAG) will be augmented to allow it to provide an independent assessment of the macroeconomic and budget forecasts underpinning the budget, as well as the quality of adjustment measures and the proper treatment of PPPs. Additional resources will be provided to the OAG so that it can recruit additional experts in public finance and macroeconomics. Relatedly, the OAG's statutory autonomy, including financial autonomy, will be strengthened.
- The government will also consider legal options for strengthening the sanctions regime to enhance the credibility of the fiscal rules. Possible avenues include clarifying the legal possibility of the non-renewal or dismissal of public officials for non-compliance; strengthening the oversight role of Parliament in reviewing Ministerial actions on recommendations by the Attorney General and the Auditor General; reviewing the low cap on money penalties; and aligning the sanctions process for government departments and public bodies for a more equitable (and streamlined) process (by July 2015).
- The government will develop an improved annual risk statement. The government will ensure that, starting with the 2015/16 budget, a comprehensive and clear fiscal risk statement is

presented, covering all significant contingent liabilities including those related to commercial public sector entities and PPPs. Technical assistance has been requested from the IDB/IMF to support this effort.

Reforms to Public Financial Management and the Budget Process

19. The government is implementing its updated action plan for public financial management reform, in collaboration with its development partners. In this context:

- The central treasury management system (CTMS), which has been established ahead of schedule (end-March 2014 structural benchmark), will be strengthened by including modules for the tracking of expenditures that will be effective by June 2014.
- The Accountant General's Department (AGD) is the Treasurer of the single treasury account and the process for transitioning of the AGD into a modern treasury department by March 2016 commenced in April 2013 with a consultancy to develop a strategy to guide the transition.
- The adjusted Chart of Accounts was first prepared in April 2014 and is undergoing further revisions with a view of its implementation by November 2014.
- The GOJ will strengthen the efficiency and quality of the GOJ procurement process, thereby improving the ease of doing business and reducing costs. The GOJ began publishing a Public Procurement Page in the print media starting in December 2013. Next steps include:
    - A contract for implementing the Electronic Tendering System was awarded in May 2014 and will be implemented in five pilot entities during the financial year 2014/15.
    - The Procurement Act will be tabled by July 2014, with a view to its passing and effectiveness by September 2014.
    - A new procurement manual will be prepared by December 2014, with IDB assistance.

20. In addition, the government has prioritized reforms that are needed to underpin the fiscal rule:

- In line with the improved Public Investment Management System (PIMS), designed with World Bank support, a comprehensive Public Sector Investment Programme (PSIP) was tabled in parliament in April 2014 (*structural benchmark*), as a rolling five-year plan, comprised of Cabinet-approved, prioritized investment projects, to be reviewed on a regular basis. The improved PIMS will be supported by a high-level Public Investment Management Committee that will be in place by August 2014 and the creation of a web-based public investment management information system, Phase 1 of which will become operational in July 2014. A PSIP policy paper will be before Cabinet by the end of September 2014.
- Key elements of a government work plan to strengthen budget preparation include: (i) a budget call for early and accurate budget envelopes and priorities that will be issued by September 2014, and (ii) strengthening the policy to limit the use of virements (authorizing the transfer of funds within the budget) and of ex-post regularization of unbudgeted spending through

supplementary budgets, to be completed and approved by July 2014. A further priority will be to strengthen the development of realistic budget apportionment plans.

- The government has also prepared a workplan to strengthen procedures for budget execution and cash management. In order to improve the Commitment Planning and Control system in central government, an automated Purchase Order Module was added to the FinMan PFM system. In addition the Commitment Planning and Control Module were activated. The Upgraded Commitment Control System and the Purchase Order Module has now been developed and tested and was piloted in the Ministry of Finance and Planning in January 2014. Effective April 1, 2104, the new system was implemented in all MDAs.
- An IFMIS will be introduced during 2016/17, and replace the FinMan PFM system.
- Improving the revenue forecasting to avoid continuous deficit bias will be a policy priority. For this purpose, we have requested technical assistance, with funding from CIDA.
- Improving cash management is a priority and technical assistance will support reforms in these areas through: a) improving cash flow forecasting techniques to develop reliable forecasts of cash flows and more timely monitoring through the Treasury Single Account (TSA) system; and b) enhancing the TSA in terms of coverage and procedures.

Debt Reduction

21. The government is committed to sharply reducing public debt, which is projected to decline to 96 percent of GDP by March 2020. This is expected to be achieved by sustained fiscal efforts, policies to bolster growth, as well as additional measures such as debt–asset swaps and asset sales. For the purpose of the IMF-supported reform programme, reporting on public debt includes government guaranteed debt and PetroCaribe debt (net of its financing to the central government and its holdings of guaranteed debt).

22. The scheduled reduction, in public debt through debt-asset swaps and asset sales and a reduction in guarantees, has progressed in line with the programme. The government has established the legal and administrative processes involved, as well as a workplan for their expeditious completion, to reduce guaranteed debt and other public debt by at least 1.0 percent of GDP by early 2015. In designing these transactions, the government will seek to ensure sound public sector governance. Furthermore, the government remains committed to ensuring that any new debt guarantees will be consistent with the applicable limits under the Public Debt Management Act.

23. The government will further strengthen its debt management strategy. The efficiency of the Debt Management Branch will be further strengthened through increased staffing of the middle office, skills training and effecting improvements to securities operations.

Public Sector Reform

24. The government is committed to improving the efficiency, quality and cost effectiveness of the public sector. A reduction in bureaucracy through public sector transformation is expected to increase the efficiency of government operations, boost the pace of commerce and provide upside potential to growth prospects. We will develop an action plan for public sector transformation by end-September 2014 (*new structural benchmark)*, in close cooperation with our development partners, to cover the following areas: (1) the introduction of shared corporate services, (2) the reallocation, merger, abolition and divestment/privatization of departments and agencies, (3) outsourcing of services, (4) strengthening control systems and accountability (including in auditing and procurement); and (5) aligning remuneration with job requirements. The Fiscal Responsibility Framework and this programme have set a target for reducing the size of the wage bill to 9.0 percent of GDP for FY2015/16.

- **Wages and salaries.** In March 2013, the government signed a wage restraint agreement for the 2012/13-2014/15 period with the major unions, representing 85 percent of public servants. In particular, the agreement entailed foregoing wage increases over the three year period of 2012/13 through 2014/15 except where increases arise from promotions, increments and reclassification exercises agreed prior to the current agreement. This helped to reduce the wage bill from 11.0 percent of GDP in 2012/13 to 10.6 percent of GDP in 2013/14. During the programme period, there will be no new reclassification exercises that may result in additional wage or salary costs or impact an entire occupational grouping. The government may however, within the context of the public sector transformation or other streamlining operations, undertake reorganisations as necessary, in consultation with Fund staff, to support efficient and effective performance of core activities. Any such reorganisation will be limited in scope and undertaken within the framework of achieving the 2015/16 legislated wage/GDP target of 9.0 percent.

- **Civil Service Positions**. The GOJ will reduce the size of the public sector over 2013–15 through the elimination of some posts and an attrition programme. Following the permanent removal of 3,000 posts from the Civil Service in September 2012 and the elimination of an additional 3,000 posts in the wider public sector in early 2013, an additional 1,000 positions that became vacant due to natural attrition by end-2013 have not been filled. There will be no net hiring of workers by the government in any year during the programme period. More generally, in order to ensure that the GOJ's overall wage ceiling of 9.0 percent of GDP by 2015/16 is met, the filling of vacant positions will be constrained as needed.

- The **review of public sector employment and remuneration** to guide the modernization of the modalities and terms of employment has now been completed (*March 2014 structural benchmark*). As fiscal space allows, and while adhering to the 9 percent of GDP wage bill ceiling, it proposed strategies to retain high quality staff in the public sector through competitive compensation and enhancing responsibility, accountability and the working environment.

- To support the management of public sector employment, we are improving the public service databases in **e-Census** and will ensure that it is up to date by September 10, 2014 and covers all Ministries, Departments and Agencies (MDAs) (*new structural benchmark*).

- The **procurement of the human resources software system** (the HCMES system; including Payroll) is progressing and the vendor is expected to be contracted by early November 2014. To ensure a timely start to implementation of the system for the wider public sector, with IDB support, a dedicated project management team will be in place by September 2014 and a project plan will be prepared by December 2014. The start of the implementation of the HCMES/Payroll system for the first entity, eGov Jamaica Ltd, is expected to commence in January 2015. Implementation for the remaining five entities (including TAJ and JCA) in Phase one of the project is expected to commence in February 2015.

25. A White Paper on public pension reform was tabled in parliament in December 2013. The reform has been developed with World Bank support and is aimed at ensuring that the system is sustainable in the long run, with more efficient management of public pensions and improved monitoring arrangements. The policy enunciated in the White Paper will require legislative changes in order for it to become effective. As a consequence the legislative process has been initiated. This will be accompanied by an education programme to sensitize the public sector workers of the proposed changes. There will be a parametric reform with the retention of a Defined Benefits (DB) system with the following changes:

- All workers will contribute 5 percent of their salary towards their pension;
- The accrual rate at which employee's benefits will accumulate in the DB scheme is proposed as follows: (1) all past service will be preserved at a 2.2 percent accrual rate; (2) existing workers 55 years and older will continue to see their pension benefit build up at a rate of 2.2 percent; (3) workers 54 and younger will receive an accrual rate of 2.0 percent; and (4) new employees as of the date of implementation of the reform will have their pension calculated at an accrual rate of 1.8 percent;
- Pension benefits will be computed using an average of the final five years of salary;
- The normal retirement age will be increased from 60 to 65 years, by one year each year starting in April 2016.

Software is being developed to move from the current paper-based system to electronic submission of data on the career history of an employee and the provisions of the revised pension system will be incorporated into a single piece of legislation. The new public sector pension system is expected to be implemented by April 2016 (the start of FY2016/17). The requisite changes in legislation are expected to be tabled by June 2015 (*new structural benchmark*).

26. In the area of public bodies, further improvement is to be achieved. The sector's overall balance is projected to be in balance for the remaining programme years. To enhance transparency, the annual reports (including audited statements) for public bodies will be completed within six months of the end of the fiscal year; this is to be achieved by end-2014 for self-financing public bodies and by September 2015 for all other public bodies. Monitoring of public bodies will be strengthened by (1) enforcing a time limit for submission of public bodies' financial statements to the Auditor General; and (2) bolstering capacity within the Auditor General's office for more in-depth and frequent reviews of these statements.

FINANCIAL SECTOR REFORMS

27. We are taking steps to complete work to mitigate the risks inherent in Jamaica's highly interconnected financial system. To allow for more effective supervision of the financial sector, the government has tabled a Banking Services Bill that harmonizes the prudential standards across deposit takers, facilitates consolidated supervision of financial conglomerates, strengthens the corrective, sanctioning and resolution regime and ensures that the Bank of Jamaica has operational independence for supervision (structural benchmark, March 2014). Passage of the law is envisaged by end-June 2014. Going forward, we will seek Fund technical assistance to develop plans for a comprehensive crisis management and resolution framework for banks and other financial firms, and we will make any necessary amendments to the legislation accordingly by end-December 2014. In addition, the government will amend the Financial Services Commission Act in order to strengthen the Financial Services Commission's enforcement powers, and the BOJ Act in order to vest the BOJ with overall responsibility for financial stability.

28. In December 2013, steps were taken to make less risky business models available to securities dealers. In this context, a timetable was published for raising the cap for CIS on investments in foreign assets from 5 percent of assets to at least 25 percent by end-2015, with a first step to be effective as of July 1, 2014. This cap will be removed altogether by end-2016 unless extraordinary circumstances require a reassessment. Furthermore, during the first half of 2014, the Bank of Jamaica intends to enter into consultations with representatives of regulated entities in the insurance and pensions sectors and the FSC with the aim of establishing the scope and extent to which current limits on permissible investments in foreign assets can be lifted over time. The remaining tax obstacles to CIS, in particular those arising from the stamp duty and the transaction tax, will be removed by end-June 2014.

29. We are implementing measures to protect the interest of retail repo clients. In consultation with Fund staff, we will establish a distinct treatment for retail repo client interests in the legal and regulatory framework in order to protect their interests prior to and in the event of the insolvency of a securities dealer. This will entail establishing a Trust to hold the underlying securities on their behalf during the term of the repo. The legal and regulatory framework will comprise (1) the standardized legal documentation for the retail repo transactions, including a master retail repurchase agreement and trust deed; (2) reporting and other regulatory requirements for the securities dealers who are parties to retail repurchase agreements; (3) reporting and other regulatory requirements for the Jamaica Stock Exchange entities that will serve as custodian and trustee with respect to the trust arrangement; and (4) definitive legal treatment for the retail repo client interests in the event of a dealer's insolvency. The Trust arrangement is intended to ensure that funds and securities flow in accordance with the terms of the retail repo agreement, and the Trust will be responsible for the custody of the securities underlying retail repo transactions. It will also facilitate the taking of appropriate actions in the event of a transaction failure or default. A key function of the Trust arrangement will be to ensure that the interests of each retail repo client in the underlying securities are clearly and uniquely identified for the increased protection of the clients, and also to ensure that such securities would be held apart from the dealer's estate in the event of its insolvency. We submitted the legal and regulatory framework to the industry for consultation at end-March 2014 (structural benchmark). The legal and regulatory framework will be in place by end-December 2014 (*revised structural benchmark*).

30. We are also strengthening the securities dealer sector more broadly. We will take steps to ensure the financial and operational readiness of the securities dealers to move to a trust-based operational framework, supported by focused stress testing by the FSC and BOJ that will conclude at end-August 2014. By end-September, we will set up backstop facilities for exceptional financial support for the securities dealers. We will also continue to work on contingency planning to maintain broader financial stability. The transition of retail repos to the new operational framework will be implemented taking into account evolving market conditions and ensuring financial stability.

31. Over the medium term, a gradual tightening of prudential standards in line with best international practice will facilitate fundamental reform of the securities dealers sector. As the first step, the FSC will establish by end-September a minimum transaction size for retail repos. Additional measures could include (i) a gradual tightening of capital adequacy ratios; (ii) a tapering of the intermediation ratio, and (iii) operational and/or regulatory measures that will help to discourage investors from closing down their retail repo positions prior to the contractual maturity. The FSC will also continue to enhance its monitoring and reporting methods for the securities dealers.

MONETARY AND EXCHANGE RATE POLICY

32. Monetary policy remains aimed at achieving single digit inflation within a flexible exchange rate regime. For FY2014/15, the BOJ's forecast for inflation is in the range of 7 percent to 9 percent. Over the medium term, we envisage inflation to come down to a range of 6 percent to 8 percent, while over the longer term, the objective is to achieve a gradual reduction of inflation to a rate that is consistent with that of our main trading partners.

33. The BOJ will continue to respond to liquidity pressures in the financial system. Following the National Debt Exchange (NDX), the implementation of CTMS and the BOJ's open market policies, the financial system faced tighter liquidity. To counter these developments, starting mid-September 2013, the BOJ has been conducting repo operations to inject liquidity into the financial system. Further, in December 2013, the Bank established a Standing Liquidity Facility (SLF) under which deposit taking institutions have automatic access to overnight liquidity from the BOJ. Access to the SLF is by overnight repurchase agreement. In addition, in February 2014, the BOJ introduced Six-Month Repurchase Operations (SMRO) to further alleviate liquidity constraints. Over the course of FY 2014/15, the BOJ will continue to refine its monetary policy operations, including modification to the SLF, in order to provide liquidity with more certainty and at a price consistent with its policy goals.

34. The BOJ is committed to initiating preparations to allow a move towards full-fledged inflation targeting (FFIT) over the medium term. The adoption of FFIT requires strengthened fiscal and external positions and greater financial market development. Consistent with the objectives of the Fund-supported programme, Jamaica is expected to substantially improve its fiscal and external position and reduce its debt from a very high level. In this regard, the BOJ has developed a timetable for establishing the basic requirements for implementing FFIT. This agenda was finalized in January 2014 and key actions include: (i) initiating a communication and education strategy; (ii) strengthening the monetary policy implementation framework; (iii) designing and implementing a strategy for market deepening, particularly the foreign exchange market; and (iv) commencing annual assessments of the necessary pre-conditions for FFIT (such as fiscal and external stability) by March 2015, and (v) improving the governance structure of the BOJ. In this context, amendments to the Bank of Jamaica Act to strengthen the governance and the autonomy of the Bank are currently being considered and a Cabinet decision on the way forward is envisaged by June 2014. This will strengthen the institutional framework for monetary policy.

Growth Enhancing Reforms

35. Actions for improving the business climate are critical and additional steps have been prioritized in light of the imperative of promoting growth :

- The Government has examined the existing process for construction permit approval with a view to reducing the time for issuing construction permits to 90 days. Since the start of the year, considerable success was achieved to clear outstanding requests for permits and to reduce the approval time to within 90 days. The implementation of the AMANDA system will improve the monitoring and approval of construction permits when fully functional.
- The Application Management and Data Automation system (AMANDA) will allow the government to track approval of construction permits across all parish councils in Jamaica and is expected to be implemented with support from the World Bank. Implementation of the system has started in nine parishes, as well as in four agencies (National Works Agency, Mines and Geology Division, Agricultural Land Management Division, and the Environmental Health Unit Kingston), and the system is expected to be implemented in all parish councils by December 2014 (*structural benchmark*) after which the Government will focus on implementing the system in the commenting agencies to make it fully operational. A Concept Paper has been developed to revise and standardize the fee structure for application fees.
- With IDB support, land titling is being expanded under the Land Administration and Management Programme (LAMP). Under this programme, around 3,000 new titles were issued between 2011 and 2013. LAMP is expected to issue another 1,000 new titles during 2014/2015. LAMP will be extending its services to clients in St. Ann, Westmoreland, St. James, Trelawny and Hanover.
- Legislation to create a Secured Interest in Personal Property (SIPP) was passed in parliament in December, 2013. This paved the way for meeting the end-December benchmark on establishing

a central collateral registry. Training of financial sector stakeholders has begun and a public relations and education campaign will support its use.

- Actions toward parliamentary passage of an Insolvency Act are proceeding as planned, with the legislation tabled in parliament in December 2013. The Act is expected to be passed before end-July 2014 and enabling regulations are being prepared by end-July 2014. Training and PR will be supported by the World Bank.
- A multi-purpose registration instrument to streamline the business registration process has been introduced. Furthermore, an on-line system for business registration will be in place by end-February 2015, with IDB support.
- Urgent actions will be taken to reduce the time needed for entrepreneurs to get an electricity connection. These actions will shorten both the time needed for an inspection by the Government Electricity Inspectorate (GEI) and the time for installation by the power company. The government conducted a business process review and will commence implementation of its recommendations. These include the automation of the work processes within the GEI and the acquisition of ICT to streamline procedures for scheduling, inspecting, approving and certifying electrical installations. The contract signature for the acquisition of the application is expected by end-March 2015, with IDB support. In the very near-term, action will be undertaken to increase the availability of inspectors and improve scheduling in order to generate initial improvements.
- Plans to establish a Port Community System (PCS) to electronically integrate and streamline export and import procedures are underway. Bids were received from pre-qualified bidders and have been evaluated. The evaluation process was completed in April 2014 and both bidders were found to be technically and financially responsive. However, the associated transaction fees were prohibitive and would make Jamaica globally uncompetitive; hence approval has been received from the National Contracts Commission for a limited retender utilizing a refined RFP with the two (2) pre-qualified bidders to facilitate more effective alignment of the system capabilities and the competitive needs of the country at this point in time. With the Jamaica Customs acquisition of ASYCUDA World Customs Management System, an independent assessment of both the PCS and ASYCUDA World systems is currently being undertaken and will inform the next critical steps.
- A Special Economic Zone Act is expected to be passed by June 2015 that will ensure compatibility with WTO requirements and based on a Green Paper forthcoming by September 2014, and a White Paper by end-2014.

36. Strategic investments to establish Jamaica as a logistics hub are well underway. The expansion of the Panama Canal which is now expected to be completed in 2016 provides a reordering of maritime traffic in East West trade between the Far East, Europe and the Americas. Jamaica is desirous of taking advantage of this opportunity and is seeking to establish Jamaica as a Logistics Hub. A number of projects to support this initiative are well underway. Work is proceeding on the privatization of both Norman Manley International Airport (NMIA) and the Kingston Container Terminal. The Transaction Structure to guide the privatization process has been developed for NMIA and has been approved by Cabinet. A rate review, which must be completed before bids are made, is expected to be completed by August 2014. In the case of the Kingston Container Terminal, the Request for Proposal (RfP) has been issued to the pre-qualified bidders and is expected to be returned in July 2014, with a provisional preferred bidder expected to be selected in September 2014. Regarding the development of a transhipment port and industrial and commercial zones in the Portland Bight area by China Harbour Engineering Company (CHEC), a Non-Binding Framework Agreement has been signed. CHEC has obtained approval from the National Environment and Planning Agency (NEPA) to commence the technical feasibility study. This is a prerequisite for determining the construction methodology and for obtaining the terms of reference from NEPA. The project will be executed in phases with the first phase projected to be completed in the last quarter of 2016.

37. Reducing the cost of electricity is critical to improve competitiveness. Several projects and initiatives to achieve fuel-source diversification, facilitate energy conservation, liberalize the electricity market and reduce the cost of energy are moving ahead. Electricity costs are targeted to be reduced by at least one-third by 2017. Construction of a new 381 Megawatt Plant is slated to start this fiscal year; completion of this facility in 2016 is expected to reduce the cost of electricity and thereby address a major obstacle to growth. In addition, with World Bank support, we have prepared updates to the Electricity Act that clarify and codify the roles and responsibilities of the main actors in the sector, including the government, the regulator, the utilities and the independent power producers. These are expected to be submitted to parliament by end-September 2014 (*structural benchmark*), and become effective by end-2014.

38. An increase in financing to and support for micro, small and medium-sized enterprises (MSMEs) will also support growth. The roll-out of the mobile money initiative, aimed at providing greater access to financial services to underserved entities including MSMEs is expected to be completed by December 2014. In addition, two credit bureaus have commenced operations. The Development Bank of Jamaica is rapidly expanding its credit to MSMEs and the Jamaica Business Development Corporation is increasing its business development support in various ways, including training and incubator services.

39. The new Agro Parks are contributing to an increase in agricultural production. Seven of these are now in operation, with the remaining two expected to start production during FY2014/15. Establishing better links between the agricultural sector and the tourism industry is an important priority and is actively supported by the Agriculture-Tourism technical working group, which is in the process of establishing concrete targets for linkages.

40. Labour market reforms are progressing. Based on a White Paper that was tabled in September 2013, legislation supporting flexible work arrangements has now been tabled in parliament in March 2014. Based on drafting instructions issued to the Chief Parliamentary Council (CPC), the necessary amendments to legislation will be enacted by September 2014 to remove impediments to the implementation of flexible work arrangements. A public education campaign is planned to promote the use of these arrangements. In the context of the recently launched Comprehensive Labour Market Reform Agenda, a Labour Market Reform Commission will review existing policies and practices in the areas of education and training; productivity, technology and innovation; labour policies and legislation; social protection; and industrial relations. Options to reduce the impact of high separation costs will be considered, and be informed by a recently completed consultant report on payment options for unemployment insurance for Jamaica.

Reform of Social Spending

41. The programme includes a floor on social spending (indicative target) that signifies the priority attached to it, and that will help safeguard this spending category. For this purpose, the floor on social spending is defined as a minimum annual expenditure on specified social protection initiatives and programmes.[2] These programmes are funded by GOJ resources only and comprise: conditional cash transfers to children 0–18 years and the elderly; youth employment programme;[3] the poor relief programme for both indoor and outdoor poor; the school feeding programme and the basic school subsidy; basic education including early childhood, primary and secondary education; provision of assistance for persons with disabilities; and targeted components of primary health care. The floor will be quantified at a level that is the equivalent of the FY 2012/13 budget allocations, in real terms.

42. Efforts to strengthen the social protection framework are progressing. In May 2014 Cabinet adopted a graduation strategy for PATH households. This strategy also covers the strengthening of agency networks and broad institutional strengthening to support the Steps-to-Work programme which is an integral part of the graduation strategy. The field work for the recertification exercise was conducted on 34,000 PATH households, and the analysis was completed in March 2014. Within the context of Effective Social Protection articulated in Vision 2030 Jamaica–National Development Plan, progress continued towards the development of a comprehensive Social Protection Strategy. The draft of this strategy was completed and approved by Cabinet in March 2014.

[2] The social spending floor covers only a subset of the GOJ's social protection framework.

[3] Youth Employment programmes defined to include: On the job training; Summer Employment; and Employment Internship programmes under the Citizens Security & Justice Programme (CSJP). Programme

Table 1. Jamaica: Quantitative Performance Criteria 1/2/3/

(In billions of Jamaican dollars)

	2013	2014						2015
	End-Dec.	End-Mar.	End-Mar.	End-Mar.	End-Jun.	End-Sep.	End-Dec.	End-Mar.
	Stock	Prog.	Adjusted	Act.	PC	PC	PC	Proposed PC
Fiscal targets								
1. Primary balance of the central government (floor) 4/	...	111.5	111.5	111.7	15.5	37.8	76.0	122.0
2. Tax Revenues (floor) 4/9/	...	357.5	357.5	343.8	80.0	166.0	253.4	384.0
3. Overall balance of the public sector (floor) 4/	...	-7.4	-10.9	1.1	-19.3	-30.2	-37.0	-7.5
4. Central government direct debt (ceiling) 4/5/	1672.0	70.3	70.3	20.4	15.7	23.2	26.5	35.3
5. Central government guaranteed debt (ceiling) 4/	...	-14.0	-14.0	-14.5	4.0	2.7	0.1	-1.8
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/	24.6	0.0	0.0	-1.5	0.0	0.0	0.0	0.0
8. Consolidated government accumulation of external debt payment arrears (ceiling) 6/12/	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Social spending (floor) 9/10/	...	20.1	20.1	20.7	4.2	8.9	14.8	21.7
Monetary targets								
10. Cumulative change in net international reserves (floor) 8/11/14/	1045.1	194.4	12.0	264.7	265.5	258.6	351.9	529.4
11. Cumulative change in net domestic assets (ceiling) 11/14/	-7.5	-21.4	-21.4	-37.4	-29.1	-24.7	-27.0	-55.1

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Including proposed modified performance criteria for the net international reserves and the net domestic assets.
3/ Based on program exchange rates defined in the March 2014 TMU.
4/ Cumulative flows from April 1 through March 31.
5/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
6/ Includes debt payments, supplies and other committed spending as per contractual obligations.
7/ Includes tax refund arrears as stipulated by law.
8/ In millions of U.S. dollars.
9/ Indicative target.
10/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.
11/ Cumulative change from end-December 2013.
12/ Continuous performance criterion.
13/ This accumulation is measured as the change in the stock of arrears relative to the stock at end-March 2013. The latter stock is listed in the column for the stock at end-December 2013.
14/ The end-December 2012 NIR and NDA were US$1138.5 million and J$-9.5 billion respectively.

Table 2. Jamaica: Structural Program Conditionality

Measures	Status/Timing	
Structural Benchmarks	**Timing**	**Implementation status**
Institutional fiscal reforms		
1.a. Government to present to Fund staff a conceptual proposal for the design of a fiscal rule.	August 31, 2013	Met
1.b. Revise the relevant legislation for the adoption of a fiscal rule to ensure a sustainable budgetary balance, to be incorporated in the annual budgets starting with the 2014/15 budget.	March 31, 2014	Met
2. Government to finalize a review of public sector employment and remuneration that serves to inform policy reform.	March 31, 2014	Met
3. Cabinet to approve a detailed budget calendar consistent with top-down expenditure ceilings, for the 2014/15 budget.	November 30, 2013	Met
4. Government to ensure there is: (i) no financing of Clarendon Alimina Production (CAP) by the government or any public body, including Petro Caribe; and (ii) no new government guarantee for CAP or use of public assets (other than shares in CAP and assets owned by CAP) as collateral for third-party financing of CAP.	Continuous	Met
5. Government to table in parliament a budget for 2014/15 consistent with the program.	April 30, 2014	Met
6. Government to table in parliament a comprehensive Public Sector Investment Program (MEFP paragraph 17, Country Report No. 13/378).	April 30, 2014	Met
7. Cap the total loan value of all new user-funded PPPs at 3 percent of GDP on a cumulative basis over the program period.	Continuous	Proposed
8. Ensure that the public service database e-census is up to date and covers all Ministries, Departments and Agencies.	September 10, 2014	Proposed
9. Develop an action plan for public sector transformation to cover the following areas: (1) the introduction of shared corporate services, (2) the reallocation, merger, abolition and divestment/privatization of departments and agencies, (3) outsourcing of services, (4) strengthening control systems and accountability (including in auditing and procurement), and (5) aligning remuneration with job requirements.	September 30, 2014	Proposed
10. Table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25).	June 30, 2015	Proposed
Tax Reform		
11. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
12. Parliament to adopt amendments to the relevant tax acts to harmonize the tax treatment for charities across tax types and remove ministerial discretion to grant waivers for charities and charitable purposes as described in paragraph 34 of the April 17, 2013 MEFP.	May 31, 2013	Met
13.a. Government to table a Charities Bill in the House of Representatives, guided by TA provided by the IDB and in consultation with Fund staff.	September 30, 2013	Met
13.b. Government to cease the granting of waivers to charities other than under the Charities Bill.	November 30, 2013	Met
14.a. Government to table Omnibus Tax Incentive Act in the House of Representatives, guided by TA provided by the IDB and in consultation with Fund staff, to eliminate ministerial discretionary powers to grant or validate any tax relief, and put in place a transparent regime for limited tax incentives.	September 30, 2013	Met with delay
14.b. Government to cease the granting of tax incentives under the regime prior to the Fiscal Incentives Legislation.	December 31, 2013	Met
15. Broader tax reform to become effective, including the modernization of taxes, with limited exemptions, and lower tax rates (paragraphs 6, 7, 8, and 9 of the MEFP for Country Report 13/378) and as stipulated in par. 13 of the March 2014 MEFP.	March 31, 2014	Met
16. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the MEFP.	June 30, 2014	
17. Government to conduct an entity by entity review of all grandfathered entities and of their specific tax incentives in the context of the new tax incentives legislation by end-2014/15.	January 31, 2015	

Table 2. Jamaica: Structural Program Conditionality (concluded)

Measures	Status/Timing	
Structural Benchmarks	**Timing**	**Implementation status**
Tax Administration		
18. Government to make e-filing mandatory for LTO clients with respect to General Consumption Tax (GCT) and Corporate Income Tax (CIT).	March 31, 2014	Met
19. Implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	Proposed
20. (i) Increase the number of staff by a further 50 auditors (from March 2014 to March 2015); (ii) increase the number of (full plus issue) audits completed in the large taxpayers office (LTO) by 100 percent (from FY 2013/14 to FY 2014/15); (iii) achieve 95 percent take up rate of e-filing and e-payment in the LTO.	March 31, 2015	Proposed
21. Implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	Proposed
Financial sector		
22. Government to Establish and Operate a Central Collateral Registry.	December 31, 2013	Met
23. Government to implement a legal and regulatory framework conducive to Collective Investment Schemes (Paragraph 45 of the MEFP of April 17, 2013) in consultation with Fund staff.	December 31, 2013	Met
24. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
25. Government to submit proposals for a distinct treatment for retail repo client interests in the legal and regulatory framework to the relevant financial industry for consultation (MEFP March 2014 Paragraph 25) in consultation with Fund staff.	March 31, 2014	Met
26. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	Proposed revision
27. Government to table the Omnibus Banking Law [1/] consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Tabled in March with subsequent ongoing fine-tuning.
Growth enhancing structural reforms		
28. Government to implement a new (AMANDA) tracking system to track approval of contruction permits across all parish councils.	December 30, 2014	
29. Government to table in parliament the Electricity Act.	September 30, 2014	

1/ Currently referred to as the Banking Services Bill.

Attachment II. Technical Memorandum of Understanding

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 extended arrangement under the EFF. It also describes the methods to be used in assessing the programme performance and the information requirements to ensure adequate monitoring of the targets. In addition, the TMU specifies the requirements under the continuous structural benchmark concerning discretionary tax waivers.

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 updated programme exchange rates are those that prevailed on December 31, 2013. Accordingly, the exchange rates for the purposes of the programme are show in Table 1.

Table 1. Program Exchange Rates (End-December, 2013)/1	
Jamaican dollar to the US dollar	106.38
Jamaican dollar to the SDR	163.83
Jamaican dollar to the euro	139.97
Jamaican dollar to the Canadian dollar	99.72
Jamaican dollar to the British pound	175.84
1/ Average daily selling rates at the end of December 2013	

QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

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.

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. 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 four weeks after the test date.

B. Cumulative Floor on Overall Balance of the Public Sector

9. Definitions: The public sector consists of the central government and public bodies. Public bodies are institutional units that are themselves government units or are controlled, directly or indirectly, by one or more government units. Whether an institution belongs to the public or private sector is determined according to who controls the unit, as specified in the government Financial Statistics (GFS) Manual 2001—Coverage and Sectorization of the Public Sector. For the purposes of the programme, the assessment of whether an entity belongs to the public or the private sector will be based on the guidance provided by the GFS criteria.

10. Public bodies consist of all self-financed public bodies, including the 17 "Selected Public Bodies" and "Other Public Bodies". The 18 "Selected Public Bodies" include: Airport Authority of Jamaica (AAJ); Human Employment and Resource Training Trust (HEART); Jamaica Mortgage Bank (JMB); Housing Agency of Jamaica (HAJ); National Housing Trust (NHT); National Insurance Fund (NIF); Development Bank of Jamaica (DBJ); National Water Commission (NWC); Petrojam; Petroleum Corporation of Jamaica (PCJ); Ports Authority of Jamaica (PAJ); Urban Development Corporation (UDC); Jamaica Urban Transit Company Ltd. (JUTC); Caymanas Track Ltd. (CTL); National Road Operating and Constructing Company Ltd. (NROCC); Petro-Ethanol; Clarendon Aluminum Production (CAP);. "Other Public Bodies" include: Road Maintenance Fund; Jamaica Bauxite Mining Ltd.; Jamaica Bauxite Institute; Petroleum Company of Jamaica Ltd. (Petcom); Wigton Windfarm Ltd.; Broadcasting Commission of Jamaica; The Office of Utilities Regulation; The Office of the Registrar of Companies, Runaway Bay Water Company, Jamaica National Agency for Accreditation, Spectrum Management Authority; Sports Development Foundation; Bureau of Standards Jamaica; Factories Corporation of Jamaica Ltd.; Kingston Freezone Company Ltd.; Micro Investment Development Agency Ltd.; Montego Bay Freezone Company Ltd.; Postal Corporation of Jamaica Ltd.; Self Start Fund; Betting Gaming and Lotteries Commission; Culture, Health, Arts, Sports and Education Fund; Financial Services Commission; Jamaica Deposit Insurance Corporation, Jamaica Racing Commission, National Export-Import Bank of Jamaica Ltd.; PetroCaribe Development Fund; Tourism Enhancement Fund, The Public Accountancy Board; Students' Loan Bureau; National Health Fund; Cocoa Industry Board; Coffee Industry Board; Sugar Industry Authority; Overseas Examination Commission; Aeronautical Telecommunications Ltd.; Jamaica Civil Aviation Authority; Jamaica Ultimate Tire Company Ltd.; Jamaica Railway Corporation Ltd.; The Firearm Licensing Authority; Ports Management Security Corps Ltd.; Transport Authority.

11. 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 Planning (MoFP) for each of the selected public bodies and the group of the other 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 House Agency of Jamaica, capital account revenues will not be netted out since they do not refer to flows arising from assets sales but rather to contribution revenue and therefore will be included among recurrent revenue such as is done for pension funds. The definitions of "Selected Public Bodies" and "Other 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 unless specifically stated. All newly created entities, including from the merging of existing entities, will be incorporated in either of these two groups.

12. 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.

13. Reporting: Data will be provided to the Fund with a lag of no more than 6 weeks after the test date.

14. 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 2), with the value of the adjustment at the end of any quarter capped at J$3.5 billion.

Table 2. Overall Balance of Petrojam (Baseline Projection)

	In billions of Jamaican dollars
End-December 2013	-3.0
End-March 2014	3.3
End-June 2014	2.9
End-September 2014	-3.0
End-December 2014	-2.5

C. Ceiling on the Stock of Central Government Direct Debt

15. Definitions: Central government direct debt includes all domestic and external bonds and any other form of central government debt, such as supplier loans. It excludes IMF debt. It includes loan disbursements from the PetroCaribe Development Fund to finance central government operations. The target will be set in Jamaican dollars with foreign currency debt converted using the programme exchange rate. The change in the stock of debt will be measured "below the line" as all debt issuance minus repayments on all central government debt.

16. For the purposes of computing the debt target, debt inflows are to be recorded at the moment the funds are credited to any central government account.

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

18. Adjusters: The target will be adjusted upwards if explicit government guarantees (defined as the stock of existing guarantees as of end March 2012 plus new guarantees allowed to be issued under the programme) are called. The target will be adjusted downwards if net divestment revenues (i.e. net of divestment expenses) take place. The debt target will be adjusted for cross-currency parity changes; and pre-financing, as reflected by the increase in central government deposits.

19. The target will be adjusted downward by: 20 percent of the value of the bonds converted through the February 2013 debt exchange into "Fixed Rate Accreting Bonds" (FRAN), The target will be adjusted upward by any interest penalties**,** up to J$1,7 billion, associated with a possible liability management operation under which existing debt obligations are retired early with the objective of reducing the eventual debt burden.

D. Ceiling on Net Increase in Central Government Guaranteed Debt

20. 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. The cumulative targets are computed as the difference between the stock of government guaranteed debt as of end-March of each year and the stock of government guaranteed debt as of the target date.

21. The cumulative net increase in central government guaranteed debt will be monitored on a continuous basis.

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

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

E. Ceiling on Central Government Accumulation of Domestic Arrears

24. Definition: Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date in which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Central government domestic arrears include arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. This accumulation is measured as the change in the stock of domestic arrears relative to the stock at end-March 2013, which stood at J$21.6 billion.

25. The ceiling on central government accumulation of domestic arrears will be monitored on a continuous basis.

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

F. Non-Accumulation of External Debt Payments Arrears

27. Definitions: Consolidated government includes the central government and the public bodies, as defined in sections A and B, respectively.

28. Definitions: external debt is determined according to the residency criterion.

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

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the programme, the debt is the present value (at the inception of the lease) of all lease payments expected to be made

[1] As defined in Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements, Decision No. 6230–(79/140), as amended.

during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

30. **Definitions: 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.

31. **Definitions**: Under this definition of debt set out above, external payments arrears consist of arrears of external debt obligations (principal and interest) falling due after March 29, 2013 that have not been paid at the time due, taking into account the grace periods specified in contractual agreements. Arrears resulting from nonpayment of debt service for which a clearance framework has been agreed or rescheduling agreement is being sought are excluded from this definition.

32. **The consolidated government and the BOJ will accumulate no external debt payment arrears during the programme period.** For the purpose of this performance criterion, an external debt payment arrear will be defined as a payment by the consolidated government and the BOJ, which has not been made within seven days after falling due.

33. **The stock of external arrears of the consolidated government and the BOJ will be calculated based on the schedule of external payments obligations reported by the MoFP.** Data on external arrears will be reconciled with the relevant creditors and any necessary adjustments will be incorporated in these targets as they occur.

34. **This performance criterion does not cover arrears on trade credits.**

35. **The performance criterion will apply on a continuous basis.**

36. **Reporting**: The MoFP will provide the final data on the stock of external arrears of the consolidated government and the BOJ to the Fund, with a lag of not more than two weeks after the test date.

G. Ceiling on Central Government Accumulation of Tax Refund Arrears

37. Definition: Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. This accumulation is measured as the change in the stock of tax refund arrears relative to the stock at end-March 2013, which stood at J$24.6 billion.

38. The central government accumulation of tax refund arrears will be monitored on a continuous basis.

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

H. Floor on the Cumulative Change in Net International Reserves

40. Definitions: Net international reserves (NIR) of the BOJ are defined as the U.S. dollar value of gross foreign assets of the BOJ minus gross foreign liabilities with maturity of less than one year. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the programme exchange rates. 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.

41. 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, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps and options) and all credit outstanding from the Fund (including credit used for financing of the FSSF, 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 regardless of its maturity.

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

43. Adjusters: NIR targets will be adjusted upward (downward) by the surplus (shortfall) in programme loan disbursements from multilateral institutions (the IBRD, IDB and CDB) relative to the baseline projection reported in Table 3. Programme loan disbursements are defined as external loan disbursements from official creditors that are usable for the financing of the consolidated government. NIR targets will be adjusted upward (downward) by the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection reported in Table 3. NIR targets will also be adjusted upward (downward) by the surplus (shortfall) in IMF budget support purchases relative to the baseline projection reported in Table 3.

Table 3. External Program Disbursements (baseline projection)	
Cumulative flows from the beginning of the fiscal year	(In millions of US$)
External loans from multilateral sources	
End-March 2014	426
End-June 2014	21
End-September 2014	41
End-December 2014	141
End-March 2015	216
Budget support grants	
End-March 2014	67
End-June 2014	24
End-September 2014	33
End-December 2014	57
End-March 2015	75
IMF budget support disbursements	
End-March 2014	0
End-June 2014	70.77
End-September 2014	70.77
End-December 2014	141.54
End-March 2015	141.54

The NIR target will be adjusted upwards (downwards) by the amount by which, at a test date, the cumulative changes from end-December 2013 in BOJ's foreign exchange liabilities to residents with a maturity of less than one year (including banks' foreign currency deposits in BOJ) are higher (lower) than the baseline projection for this change reported in Table 4.

Table 4. Reserve Liabilities Items for NIR Target Purposes	
	(In millions of US$) 1/
BOJ's foreign liabilities to residents	
Outstanding stock	
End-December 2013	282.7
Cumulative change from end-December 2013	
End-March 2014	31.5
End-June 2014	38.2
End-September 2014	44.9
End-December 2014	51.6
End-March 2015	40.0
1/ Converted at the programme exchange rates.	

I. Ceiling on the Cumulative Change in Net Domestic Assets of the Bank of Jamaica

Definition: The Bank of Jamaica's net domestic assets (NDA) are defined as the difference between the monetary base and NIR, converted into Jamaican dollars at the program exchange rate. The monetary base includes currency in the hands of the non-bank public plus vault cash held in the banking system, statutory cash reserve requirements against prescribed liabilities in Jamaica Dollars held by commercial banks at the Bank of Jamaica and the current account of commercial banks comprising of credit balances held at the central bank.

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

Adjusters: The NDA target will be adjusted downward (upward) for the surplus (shortfall) in programme loan disbursements from multilateral institutions (the IBRD, IDB and CDB) relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will be adjusted downward (upward) for the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will also be adjusted downward (upward) for the surplus (shortfall) in IMF budget support purchases relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will be adjusted downwards (upwards) by the amount by which, at a test date, the cumulative changes from end-December 2013 in BOJ's foreign exchange liabilities to residents with a maturity of less than one year (including banks' foreign currency deposits in BOJ) are higher (lower) than the baseline projection for this change reported in Table 4, converted into Jamaican dollars at the programme exchange rate.

QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

J. Cumulative Floor on Central Government Tax Revenues

46. **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).

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

K. Floor on Central Government Social Spending

48. 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. These programmes are funded by GOJ resources only and 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.

49. 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*.

50. On recurrent expenditure, the following specific programmes must be included in the floor on social 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.

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

CONDITIONALITY ON TAX WAIVER REFORM

52. Under the continuous structural benchmark regarding the application of discretionary tax waivers, the granting of new discretionary waivers is subject to a *de minimis* cap' of J$10 million in any month.

53. For the purpose of this condition, discretionary waivers are defined as: any reduction in tax or customs duty payable, effected through the direct exercise by the Minister of Finance of his powers under the various tax statutes; in circumstances where there is no express provision for exemption in any statute.

54. The amounts covered under the cap would exclude tax measures related to international treaties not yet ratified and provisions for CARICOM suspensions which are binding international legal obligations.

CONDITIONALITY ON USER-FUNDED PPPS

55. Under the continuous structural benchmark regarding the total loan value of all new user-funded PPPs, the total value of all such loans contracted after May 1, 2013 will be capped at 3 percent of GDP on a cumulative basis over the program period. At end-June 2014, the total loan value of existing user-funded PPPs contracted after May 1, 2013 was zero.

56. 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).

57. For the purpose of this condition, the applicable GDP is the projected nominal GDP for the fiscal year published in the Fiscal Policy Paper tabled in parliament ahead of the adoption of the budget. For FY2014/15, the projected nominal GDP used as a reference is J$1,617 billion, as presented in Table 2E, Medium-Term Macroeconomic Profile, part II, Macroeconomic Framework, page 11.

INFORMATION REQUIREMENTS

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

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; 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.

- Liquidity assistance to institutions from the BOJ, by institution.

- 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).

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.

Monthly

- Central government operations including monthly cash flow to the end of the current fiscal year, with a lag of no more than four weeks after the closing of each month.

- Public entities' Statement A: consolidated and by institution for the "Selected Public Bodies" and consolidated for the "Other Public Bodies" with a lag of no more than six weeks after the closing of each month.

- Central government debt amortization and repayments, by instrument (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 four weeks after the closing of each month.

- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.

- Stock of central government expenditure arrears.

- Stock of central government tax refund arrears.

- Stock of central government domestic and external debt arrears and BOJ external debt arrears.

- Central government spending on social protection programmes as defined for the indicative target on social spending.

- Central government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (J$-denominated and US$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); (iii) direct and guaranteed. The reporting lag should not exceed four weeks after the closing of each month.

- The maturity structure of Government debt (domestic and external). The reporting lag should not exceed four 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.

- 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, selected public bodies and other 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.

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

- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.

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

- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.

- Data on reserve liabilities items for NIR target purposes (Table 9) within three weeks after month end.

- A full set of monthly FSIs regularly calculated by the BOJ, including liquidity ratios, within eight weeks of month end.

- Monthly balance sheet data of deposit taking institutions, as reported to the BOJ. within four weeks of month end.

- Imports and exports of goods, in US$ million within twelve weeks after month end. Tourism indicators within four weeks after month end. Remittances' flows within four weeks after month end.

- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.

- The balance sheet of the PetroCaribe Development Fund with a lag of no more than six weeks after the closing of each month.

- Data on discretionary waivers, specifying those under the 'de minimis' cap, those under the broader cap and those covered by the exceptions from these caps.

- Data on tax waivers for charities and charitable giving.

- 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).

Quarterly

- Holdings of government bonds (J$-denominated and US$-denominated) by holder category. The reporting lag should not exceed four 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 public entities non-guaranteed debt.

- Summary balance of payments within three 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 three 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 DTI's and non-bank financial institutions within eight weeks of quarter end.

- FSC status report detailing compliance (and any remedial measures introduced to address any non compliance) with the agreed guidelines for the operation of client holding accounts at the Jam Clear@ CSD and FSC independent verification of daily reconciliations using data provided by Jam Clear@ CSD. Reports are due within four weeks of end quarter.

Annual

- Financial statements of pension funds within six months of year end.

- Number of public sector workers paid by the consolidated fund by major categories.