



JAMAICA

September 2014

FIFTH REVIEW UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—STAFF REPORT; PRESS RELEASE

In the context of the fifth review under the Extended Fund Facility and request for modification of performance criteria, the following documents have been released and are included in this package:

- The **Staff Report**, prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on August 24, 2014, with the officials of Jamaica on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on September 10, 2014.
- A **Press Release**

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

Letter of Intent sent to the IMF by the authorities of Jamaica*
Memorandum of Economic and Financial Policies by the authorities of Jamaica*
Technical Memorandum of Understanding*

*Also included in Staff Report

The publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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JAMAICA

FIFTH REVIEW UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

September 10, 2014

EXECUTIVE SUMMARY

Recent data show a gradual economic recovery, with growth projected to reach just over 1 percent in 2014/15. Inflation has trended down to about 8 percent.

The program is on track. Jamaica's four-year, SDR 615.38 million (225 percent of quota) Extended Arrangement under the EFF was approved by the IMF Executive Board on May 1, 2013, and the first four reviews under the program were completed on schedule. All end-June 2014 quantitative performance criteria were met. The structural benchmarks for end-June were also met. Based on the strong performance to date and the authorities' updated policy intentions and commitments, staff recommends completion of the fifth review under the extended arrangement.

Focus of the review. Discussions centered on the preparations for the 2015/16 budget and financial sector reforms. The program has been updated, with steps to support the ambitious fiscal goals by strengthening tax administration, enhancing public financial management, and containing the civil service wage bill. Further steps have been articulated to move ahead the reform of the securities dealers sector and to strengthen the financial system more broadly.

Progress in implementing the authorities' program is steadily advancing with every successful review, but risks to the program remain relatively high. A delayed growth recovery could undermine social support for the reform efforts, financial sector vulnerabilities could become more pressing, or risks to external financing (including from PetroCaribe) could crystallize. A further challenge will be to keep the budget on track in the face of risks to revenues and the wage bill.

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

Discussions took place in Kingston during August 13–24, 2014. Staff representatives comprised J. Martijn (head), D. Simard, and J. Schmittmann (all WHD), C. Lonkeng Ngouana (FAD), M. Opoku-Afari (SPR), A. Arda (MCM), N. Che (EUR), and B. van Selm (Resident Representative). They were assisted at headquarters by F. Strodel, E. Kapijimpanga, and I. Sirbu, and at the Resident Representative office by K. Tyrell and N. Thompson. Mr. Lessard (OED) participated in the discussions.

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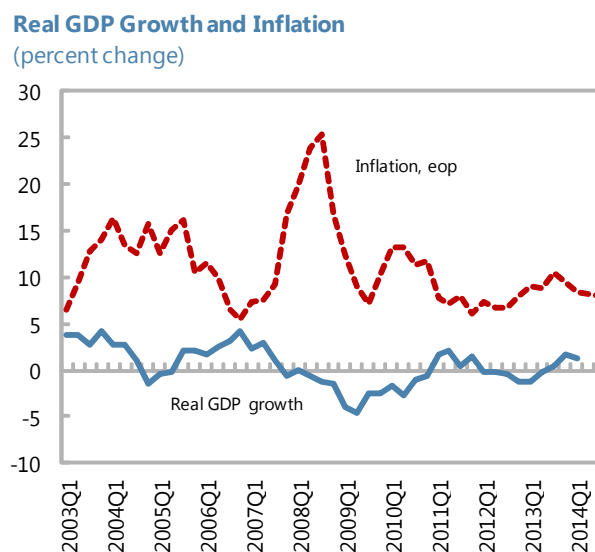
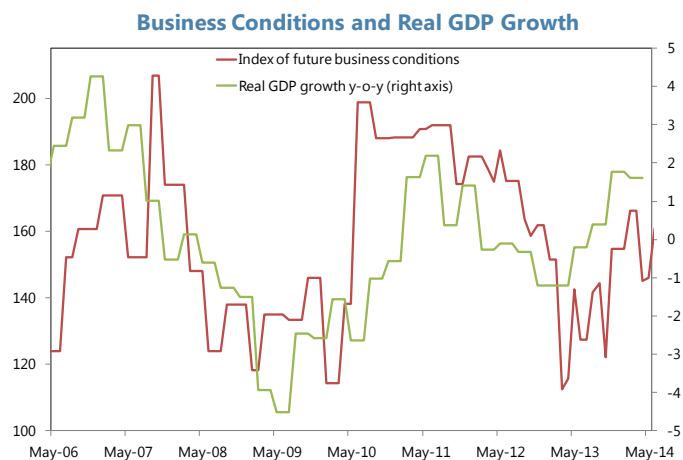
FRAGILE GROWTH AND REDUCED NEAR-TERM FINANCING RISKS

1. Recent indicators suggest an ongoing but gradual recovery of economic activity.

- Estimated growth in 2013/14 remains at 0.9 percent, and growth is now projected at 1.1 percent in FY2014/15, with tourism, agriculture and mining as the main drivers. While growth is supported by improved competitiveness and structural reforms, agricultural production (in particular, fruits and vegetables produced for the local market) has been hit by a recent drought. Given the short cycle of these crops, production is projected to recover by the end of 2014, and this catch up is also reflected in an upward revision of projected growth in 2015/16, to 2.0 percent. Unemployment continued its downward trend, falling to 13.2 percent by April (seasonally adjusted), from 15.9 percent a year earlier, and 13.5 percent in January, although it remains much higher for women and, especially, for the young. Indicators of business confidence weakened somewhat in the latest surveys (April–June) relative to the previous quarter. However, strengthening remittances and additional scheduled flights for tourists since July 2014 provide some upside risk.

Furthermore, strategic investments in infrastructure are moving ahead, with the opening of a key part of the new North-South highway in August 2014, which will greatly facilitate the movement of goods and people.

- CPI inflation increased slightly to 8 percent (y/y) in May and June, before rising to 9 percent in July, pushed by higher prices of fruits and vegetables. For FY2014/15 as a whole inflation remains projected at about 8 percent—as the impact of this drought is expected to be short-lived, and as the inflationary effect of the ongoing depreciation of the nominal exchange rate is



- counteracted by the weakness of domestic demand. By end-June, the Jamaica dollar had weakened 10.7 percent y/y relative to the U.S. dollar and 6.6 percent y/y in real effective terms.

2. Fiscal performance in the first quarter of FY2014/15 was broadly in line with projections.

Tax revenues were above the program floor for the first quarter of the fiscal year and were also aligned with the authorities' projections through July. Disbursements of grants were somewhat lower than projected. Expenditures were adjusted accordingly, notably through savings on the wage bill, and both the central government primary balance and overall fiscal balance of the broader public sector remained above the program target. The latter balance includes an annualized deficit of 1.3 percent of GDP for the overall balance of the public bodies, with an uneven performance including continued shortfalls for Clarendon Alumina Production (CAP) and oil company Petrojam.

3. The Government of Jamaica issued an external bond in July for US\$800 million, which prefinances foreign debt repayments and temporarily raises reserves.

The 10-year bond issue was priced with a yield of 7.625 percent (see Box 1). Gross international reserves increased to US\$2.7 billion at end-August, covering about 4 months of next year's imports of goods and services, while net international reserves had risen to US\$2.1 billion. With large debt repayments coming due in October 2014 and June and July 2015, by end-2015, reserves are projected to be broadly back on the path projected before the bond issue.

4. Revised trade data confirm the sharp decline in the current account deficit during the two years after 2011/12.¹

The current account adjustment has resulted from the combined effects of fiscal consolidation and real exchange rate adjustment. Based on the new data, the current account deficit for 2013/14 is now estimated at 10.4 percent of GDP, and staff projects a further contraction in the current account deficit over 2014/15 to 7.5 percent of GDP. The authorities indicated that these data may be revised further as ongoing revisions to trade and income statistics are completed.

¹ The revised current account reflects, in particular, revised data for fuel import volumes. Furthermore, historical data for nominal GDP have been revised down, by about 1 percent for 2013/14, relative to earlier staff reports, reflecting revised GDP deflators for 2010/11 through 2013/14. GDP projections have been lowered accordingly.

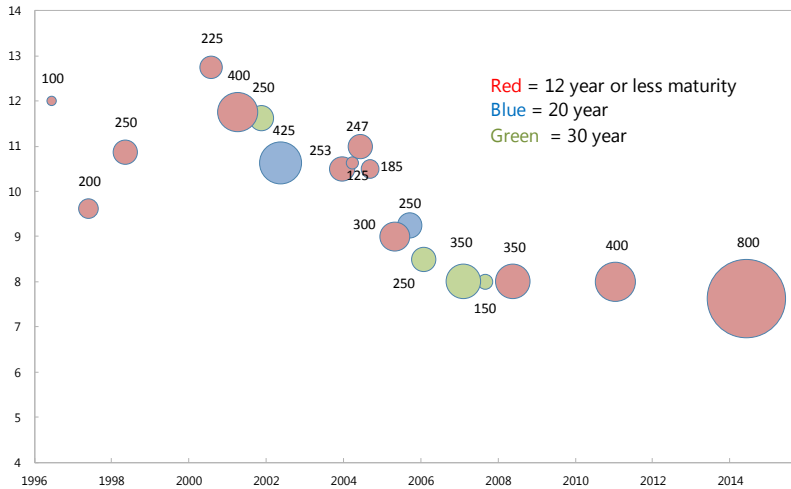
Box 1. The July 2014 External Bond

In July 2014, The Government of Jamaica issued an external bond for US\$800 million, the largest issuance in Jamaica’s history and the first since 2011 (when a 2008 bond issue was reopened). Taking advantage of Jamaica’s declining relative spreads on the secondary international markets, of lower spreads for emerging market sovereign debt in general, and of lower benchmark yields on US interest rates, the 10-year issue was priced with a yield of 7.625 percent. This provides

Jamaica with the opportunity to lower its average interest payments on its external debt. Repayments are due during 2023–25, spreading the refinancing needs over a three-year period.

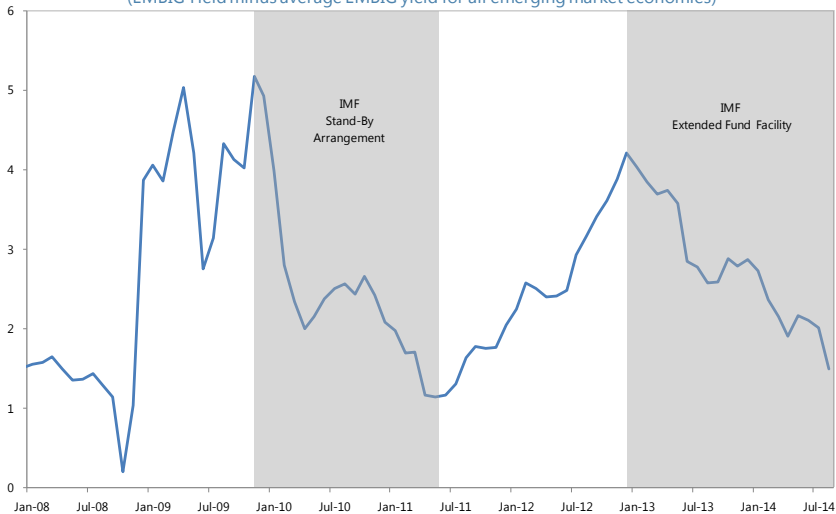
The declining spreads relative to other emerging market countries on the secondary markets since December 2012 (when negotiations on a Fund-supported program were nearing completion) have been bolstered by strong implementation of the economic program and the completion of four reviews since May 2013. The last period of sustained decline in Jamaica’s relative spreads was between October 2010 and May 2011, while Jamaica’s economic program was supported by the Stand-By Arrangement with the IMF.

Interest Rates on Jamaican International US\$ Bonds¹
(In percent, size of balloons reflects issuance in million of US dollars)



¹The issuance in 2011 reflect re-opened terms for the 2008 bond.
Source: Bloomberg; Dealogic.

Jamaican Bond Spreads
(EMBIG Yield minus average EMBIG yield for all emerging market economies)



Source: Bloomberg.

5. The relaxation of financial market conditions continued through the summer, and credit growth has edged up. The injection of liquidity through six month repos by the Bank of Jamaica (BOJ) since early 2014 continued through June. Interbank rates for overnight funds moderated to 3-4 percent in August. Credit to the domestic private sector has picked up, growing 1.1 percent quarter-on-quarter (6.3 percent year-on-year) in June 2014. However credit growth continues to be concentrated in consumer loans, as banks remain reluctant to extend credit at longer maturities to fund corporate investment. Discussions with the private sector also indicate there is limited demand for such credit. Banks' capital-adequacy ratio remained broadly stable between end-March and end-June, while NPLs increased marginally. There are still significant liquidity risks linked to banks' exposure to government debt, and the secondary market in government bonds has remained inactive since the February 2013 debt exchange.

Jamaica: Financial Sector Indicators 1/
(In percent)

	2007	2008	2009	2010	2011	2012	2013	May-14
Balance sheet growth (y/y)								
Capital	11.5	14.7	13.8	5.1	5.4	4.2	17.1	18.1
Loans	28.7	24.2	5.3	-1.4	4.8	12.9	14.1	8.6
NPLs	14.2	57.6	68.0	36.1	44.0	-10.8	-12.9	-11.6
Liquidity								
Excess liquidity 2/	25.0	30.3	31.3	36.2	30.5	26.7	25.3	27.7
Asset Quality								
Prov. for loan losses/NPLs	103.4	87.2	75.7	69.9	75.2	90.3	95.7	98.3
NPLs/loans	2.3	2.9	4.7	6.5	8.9	7.0	5.4	5.1
Capital Adequacy								
NPLs/Capital+Prov. for loan losses	9.1	12.3	17.7	22.3	28.4	24.1	18.8	17.4
Capital Adequacy Ratio (CAR) 3/	16.0	15.2	18.8	18.2	16.1	14.1	15.1	16.0
Profitability (calendar year) 4/								
Pre-tax profit margin	26.7	26.2	21.4	21.1	30.8	21.4	19.0	...
Return on average assets	3.4	3.5	2.9	2.5	3.9	2.4	2.0	...

Source: Bank of Jamaica.

1/ Commercial banks, building societies, and merchant banks.

2/ Statutory liquid assets/prescribed liabilities.

3/ If not end-quarter, data corresponds to last quarter.

4/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank. Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively.

6. Risks remain high, even though fiscal and external financing risks have lessened with Jamaica's bond placement. The bond issue both meets a peak in budgetary cash-flow needs in the fall of 2014, and greatly limits refinancing risks on maturing debt through 2015. However, other vulnerabilities remain. Budget execution could be impaired by revenue shortfalls, inability to continue reducing the wage bill, a deteriorating performance by the public bodies, or a disruption in external financing (including PetroCaribe financing by Venezuela). The drying up of secondary markets in government paper has heightened systemic liquidity risks, and once the market re-liquifies, an upward shift in the yield curve could entail capital losses for financial companies. Furthermore, investor confidence remains frail and reform fatigue could set in if ongoing painful reforms and real wage compression do not result in more rapid job creation and income growth.

STRONG POLICY IMPLEMENTATION

7. All quantitative performance criteria for end-June 2014, continuous quantitative program targets, and structural benchmarks were met, including the June indicative targets for tax collection and social spending (Text Table 2).

8. Structural reforms have progressed since the fourth review, broadly in line with the commitments under the program:

- The Banking Services Act was adopted by Parliament in June 2014, harmonizing prudential standards across deposit-taking institutions, strengthening the corrective action and sanctioning regime, and promoting the BOJ's operational independence in its supervision function.

- Amendments to the General Consumption Tax (GCT) Act were tabled in Parliament in June (a structural benchmark), to broaden the tax base and eliminate the zero rating of government purchases under the GCT (introduced on June 1 by provisional order). The legislation is expected to be adopted in September.
- The remaining tax obstacles for Collective Investment Schemes (CIS), related to the stamp duty and the transaction tax were lifted by provisional order in July.
- The Tax Collection Act and the Tax Penalties Act were tabled in July to strengthen collection powers of the revenue administration, and are expected to be adopted in September.
- The Central Treasury Management System (CTMS) has been strengthened by adding modules for the tracking of expenditures. A new Procurement Bill was tabled in July. A policy to tighten budgetary execution (by limiting the use of virements and ex-post regularization of unbudgeted spending) was approved in July.

Text Table 2. Jamaica: Program Monitoring—Quantitative Performance Criteria under EFF 1/2/ (In billions of Jamaican dollars)						
	5th Review End-Jun. 2014	PC End-Jun.	Adjusted PCs End-Jun. Actual	End-Jun. Difference	PC Status End-Jun. 2014	
Fiscal targets						
1. Primary balance of the central government (floor) 3/		15.5		19.0	3.5	Met
2. Tax Revenues (floor) 3/9/		80.0		81.9	1.9	Met
3. Overall balance of the public sector (floor) 3/		-19.3	-22.8	-19.1	3.7	Met
4. Central government direct debt (ceiling) 3/4/		15.7		2.7	-13.0	Met
5. Central government guaranteed debt (ceiling) 3/		4.0		1.2	-2.8	Met
5. Central government accumulation of domestic arrears (ceiling) 5/11/12/		0.0		-0.1	-0.1	Met
7. Central government accumulation of tax refund arrears (ceiling) 6/11/12/		0.0		-0.2	-0.2	Met
8. Consolidated government accumulation of external debt payment arrears (ceiling) 5/11/		0.0		0.0	0.0	Met
9. Social spending (floor) 8/9/		4.2		4.7	0.5	Met
Monetary targets						
10. Cumulative change in net international reserves (floor) 7/10/		265.5	107.4	326.8	219.4	Met
11. Cumulative change in net domestic assets (ceiling) 10/		-29.1	-12.3	-42.5	-30.2	Met
1/ Targets as defined in the Technical Memorandum of Understanding. 2/ Based on program exchange rates defined in the March 2014 TMU. 3/ Cumulative flows from April 1. 4/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits. 5/ Includes debt payments, supplies and other committed spending as per contractual obligations. 6/ Includes tax refund arrears as stipulated by law. 7/ In millions of U.S. dollars. 8/ Indicative target. 9/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes. 10/ Cumulative change from end-December 2013. 11/ Continuous performance criterion. 12/ Measured as the change in the stock of arrears relative to the stock at end-March 2013.						

9. While societal support for the program remains broad, several stakeholders stressed the importance of ongoing consultation in designing reforms. The high pace of reform thus far has benefited from consultations between the authorities and domestic organizations, as well as the monthly feedback offered by the Economic Program Monitoring Committee (EPOC), with representatives from a range of sectors. Several stakeholders noted that both the quality and the acceptance of ongoing reforms hinged on maintaining an effective partnership.

DEEPENING THE REFORM AGENDA

A. Preparing for the 2015/16 Budget

10. To keep the 2014/15 budget on track, the authorities are tightening their monitoring of taxpayers and preserving their budget contingencies. The authorities are examining the effects of the recent reform of tax incentives (see below) on taxpayer behavior, as these effects have complicated the projection and evaluation of monthly revenues. To help address revenue risks, tax audits have been made more focused on larger taxpayers, and more systematic, with cross-reference of different types of taxes owed.

11. The recent bond will comfortably cover the government's cash-flow needs over the current fiscal year and into 2015/16. Through the medium term, net financing needs are projected to remain close to zero, with peaks in gross financing needs as outstanding bonds mature. Public debt has increased temporarily with the external bond issue, but is projected to return to its prior path over 2015 as existing debt is repaid (see paragraph 3). Options for domestic government financing are expected to be restored as confidence strengthens.² The authorities are exploring opportunities to undertake debt management operations. Staff cautioned on undertaking such operations, and emphasized that the fiscal savings from them would need to be relatively large to justify the negative impact on the level of government liquidity and international reserves.

12. Preparations for the 2015/16 budget have started, and a range of reform initiatives are aimed at underpinning the continued tight fiscal stance. Based on its new calendar, the budget is scheduled to be adopted by parliament before April 2015, the start of the next fiscal year. No further fiscal consolidation is foreseen. However, keeping the budget in line with the fiscal anchors of the program—a central government primary surplus of 7.5 percent of GDP, and overall balance for the public bodies—still poses important policy challenges, including regarding the quality of the fiscal adjustment. In particular, the decline in the government wage bill and interest spending, and the ongoing weakness in imports—all of which are taxed relatively heavily—are expected to erode the effective tax base. The authorities intend to limit the resulting decline in tax revenues to no more than ¼ percent of GDP (relative to the current projection for 2014/15).³ Non-tax revenue will also decline as windfall proceeds from the sale of telecommunication licenses that took place in 2013/14 and 2014/15 will not be repeated in 2015/16. Notwithstanding the lower revenue ratio, the further decline in the wage bill is expected to offer room for other spending, including the repayment of budgetary arrears to suppliers that were accumulated prior to the EFF-supported program and scaling up capital spending to support major infrastructure programs. Critical steps to support the fiscal path include:

² The relative cost of domestic versus foreign-currency financing is difficult to predict, and dependent on exchange rate expectations and movements.

³ This decline in the tax ratio is assumed in the current baseline projections.

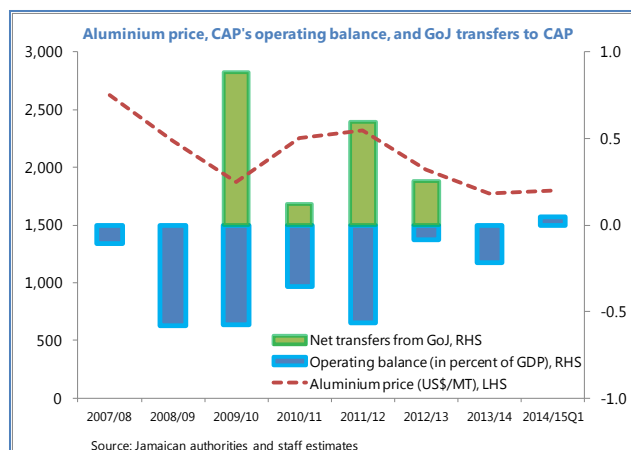
- **Modernizing the public sector to help reduce the wage bill further (from 10 percent of GDP in FY 2014/15 to 9 percent of GDP in the coming budget).** The wage restraint agreement with civil servants—which has frozen wages since March 2012—expires in March 2015. The authorities aim to meet the objective for 2015/16 through continued wage restraint in the context of the upcoming wage negotiations and reforms to modernize the public sector (MEFP, ¶14). Near term actions include the completion of the public sector employee database and the elaboration of an Action Plan for public sector transformation (both structural benchmarks for September). The IaDB is supporting the government in implementing an automated HR management system.
- **Implementing the action plan for upgrading revenue administration.** Near-term actions include setting up a dedicated office for modernization of the tax administration, enhancing the large-taxpayer administration, and putting in place pilots for the new automated tax and customs administration systems (MEFP, ¶7, 8). For the latter, legislative amendments to the Customs Act will be tabled in parliament in September. Furthermore, new structural benchmarks are proposed: (i) to table a new Customs Act (June 2015) that integrates the various adjustments that have been made to the act over time and supports implementation of the ASYCUDA administration system; and (ii) to establish new indicators for measuring the productivity of tax collection (November 2015), improving the capacity to gauge the impact of the revenue administration reforms.
- **Ongoing work to broaden the tax base,** both to address revenue risks, and—to the extent there is fiscal space—to lower tax rates over the medium term. Reforms to greatly curtail sector and firm-specific tax incentives were introduced in late 2013 and are expected to reduce tax expenditures gradually, as companies shift to the new regime with a narrower set of exemptions which are better aligned with best practices. Technical analysis by the IaDB is underway to help determine the progress so far, help identify possible additional measures to broaden the revenue base, and offer support for a January 2015 review of progress in phasing out grandfathered firm-specific incentives (MEFP, ¶16).
- **Monitoring and addressing fiscal risks.** The government will incorporate a comprehensive fiscal risks statement in its upcoming budget. In addition, the government reiterated its commitment to refrain from any further public financial support for the state-owned Clarendon Aluminum Production (CAP) company (Box 2 and Table 8).

13. Steps are underway to improve the public financial management (PFM) system. The authorities are implementing a coordinated PFM action plan, supported by several partners, including the World Bank, the IaDB, and the EU. Additional assistance—with Canadian financing—will be provided by an incoming long-term resident Fund advisor (on cash and debt management) and by short-term TA visits from FAD to strengthen the macro-fiscal unit and revenue forecasting. The updated strategy focuses on strengthening treasury management, in particular, expanding the single treasury account and building capacity in the Accountant General department (MEFP, ¶10). The introduction of an Integrated Financial Management System (IFMIS) has been postponed,

however, as part of a reprioritizing of reforms and a recognition of binding capacity constraints to implement the broad range of PFM reforms.

Box 2. Clarendon Alumina Production (CAP)

In the bauxite sector, CAP is the holding company for the government's 45 percent stake in the joint venture JAMALCO, alongside ALCOA. Bauxite and alumina have traditionally been Jamaica's main sources of goods exports. CAP's profitability has been highly sensitive to the international price of aluminum, and in the period leading up to the EFF arrangement, the company often relied on government transfers when aluminum prices were low (see text figure).



The government has resolved not to provide further financial support to CAP under the EFF-supported program. The divestment of CAP was a target already in the 2010 SBA-supported program in light of the fiscal risks stemming from CAP's persistent losses. Since July 2013, CAP's losses and outstanding arrears to ALCOA have been financed through a credit line from the commodities trader Noble Resources Inc—backed by CAP's shares in the joint venture, with no government guarantee.¹ Accordingly, transfers to CAP have dropped to zero in the first year of the EFF-supported program (meeting a continuous benchmark under the program), notwithstanding a negative cash balance (see text Figure).²

The consortium is exploring a new coal-based power plant that would lower its operational costs by about 15 percent. Two bidders were selected and submitted their detailed business plans in mid-2014. The energy solution could be operational in the second-half of 2017. The continued operation of CAP over the next three years under its current cost structure would depend on: (i) global aluminum prices; (ii) CAP's alumina prices in 2016 and 2017 consequent on the expiration of contracts now yielding lower percentages of the aluminum metal reference price, (iii) the company's funding scheme, if the credit line was to be exhausted; and (iv) the strategic direction of the venture if ALCOA sells its shares to Noble, as currently contemplated.

1. The credit line amounted to US\$120 million for 2013–2016.

² The commitment under the program also bans the financing of CAP by public bodies, and the use of public assets (other than shares in CAP and assets owned by CAP) as collateral for third-party financing of CAP.

14. Keeping Jamaica’s public debt on a sustainable path remains a critical objective of the program. Under currently identified policies the debt level is expected to fall from 140 percent of GDP at end-March 2014, to 101 percent of GDP by March 2020.⁴ The authorities continue working to identify additional debt-asset swaps, and asset sales so as to achieve the 96 percent of GDP goal by March 2020 (MEFP ¶12).

B. Reforming the Framework for Monetary Policy

15. The monetary authorities have implemented several steps to move away from reliance on ad-hoc measures for managing market liquidity, containing inflation, and rebuilding reserves. In particular, in early August the BOJ increased the access limits for the overnight standing liquidity window, introduced an additional unlimited overnight liquidity facility at a higher interest rate, and increased the interest rates on its facilities to better align them with market interest rates (MEFP, ¶22). If implemented effectively, this reform should represent a useful step towards a price-based liquidity provision framework with unlimited quantities, which would create a corridor for short-term market rates, as recommended by MCM TA advice. Providing liquidity to banks in a more predictable manner could also help address undue risk aversion in providing credit. Notwithstanding the injection of liquidity during 2014, the authorities have continued to meet the monetary targets under the program, and inflation remains contained, while interbank interest rates have normalized.

16. Providing clear and consistent price signals could also help limit the dollarization pressures that have complicated attainment of the BOJ’s reserves targets. The recent bond issuance has raised international reserves above the program path. The BOJ has taken advantage of this room by initiating a shift in the composition of reserves away from the recent reliance on accumulating reserves borrowed from the domestic banking system at short maturities. However, the current reserve cushion is expected to be temporary. As government external debt matures during 2015 this will cause a drawdown on the reserve position as the BOJ provides the foreign exchange to meet these upcoming amortization payments. To help secure a continued increase in owned reserves over the program horizon, staff stressed that there is no scope to ease up on exchange rate flexibility and opportunistic efforts to purchase foreign currency in the market.

C. Building Resilience in the Financial System

17. The agenda for financial sector reform aims to create a safer system, focused on delivering private financing for growth-enhancing investment. Reforming the securities dealers sector—which has maintained a business model that finances long-term government bonds with short-term, deposit-like investments (“retail repos”)—is at the heart of the agenda. A critical objective will be to maintain financial stability during the reform process. High exposure to sovereign debt is the central risk to the financial system and this vulnerability is accentuated by the drying up of secondary markets in government paper. Furthermore, the likely prospect of an upward

⁴ The revision in the historical GDP data accounts for an increase in this ratio by 1½ percentage points.

shift in the sovereign yield curve when the market reliquifies could entail capital losses for a range of financial companies.

18. The authorities plan to continue to improve the regulatory and supervisory framework for the financial sector, including for crisis management and resolution. Following the adoption in June 2014 of the new Banking Services Act—expected to take effect by June 2015—they aim to develop a comprehensive strategy for crisis management and resolution, centered on the securities and banking sectors (MEFP, ¶16). For this the authorities have requested Fund technical assistance. As an interim step, a stakeholder consultation process is scheduled to start in early 2015. Moreover, the regulatory and supervisory framework for non-bank financial institutions will be strengthened with assistance of a long-term resident advisor supported by short-term experts—funded by Canada. The authorities are also collaborating with Fund staff on revising the BOJ Act to enhance the governance and autonomy of the BOJ—guided in part by the Safeguards Assessment—and to clarify its financial stability mandate.

19. As the scheduled introduction of a trust-based repo framework for the securities dealers sector is nearing, a more detailed sequencing of the specific steps has been formulated, guided by MCM and LEG TA (see Box 3 and MEFP, ¶17–20). The authorities are undertaking stress tests and assessments to verify securities dealers' operational preparedness to move to the new framework, and are establishing financial backstops. Staff urged the authorities to minimize possible delays in completing the new framework, which is to be put in place by end-2014, and implemented thereafter. The final phase of this reform will involve a gradual tightening of prudential requirements to reflect underlying risks and incentivize a market-based shift to alternative, better

Box 3. Securities Dealers Reforms Under the Program

- Stress tests to verify securities dealers' readiness for the new retail repo framework (Aug. 2014)
- Financial backstops for exceptional financial support for securities dealers (Sept. 2014)
- Establishment of a minimum transaction size for retail repos and a timetable for gradual increases (Sept. 2014)
- Design of the new transaction structure (Sept. 2014)
- Contingency plans (Oct. 2014)
- Strategy for gradual tightening of prudential standards (Nov. 2014)
- Legal and regulatory framework to support the trust-based framework (Dec. 2014)
- Stakeholder consultation on comprehensive strategy for crisis management and resolution (Jan. 2015)
- Legislative reform to support comprehensive strategy for crisis management and resolution (March 2015)
- Finalize transition to trust-based repo framework (June 2015)

regulated, and legally sound investment products.

20. Careful steps may also be needed to unfreeze the secondary bond market. The lack of market liquidity has elevated financial sector risks, complicates the government's cash management as well as monetary transmission, and limits the provision of credit to the private sector. While the market may restart naturally as confidence in the success of the program deepens, the authorities are also considering policy options for restarting the bond market. The stress tests, backstops, and contingency plans that are being put in place to support market stability as the reforms of the repo market are implemented would also be of use when reliquifying the government bond market.

D. Supporting Economic Growth and Social Protection

21. Policies to remove obstacles to investment and trade complement fiscal consolidation and exchange rate flexibility in restoring sustainable growth and external competitiveness.

- Following the substantial improvement in exchange rate competitiveness since the start of the program, ongoing flexibility of the nominal exchange rate will be needed, particularly to offset the persistent inflation differential with Jamaica's main trading partners.
- Furthermore, regulatory impediments to investment and business transactions need to be lifted without delay (MEFP, ¶23). Legislation to introduce flexible work arrangements, allowing more continuous use of machinery and more varied opening hours, is expected to be adopted by end-September. Enhancing credit to productive sectors is a key element of the strategy, building on the establishment of a collateral registry and a guarantee scheme for bank lending to small and medium-sized enterprises. The authorities will also seek the swift implementation of the Insolvency Act, following its expected adoption in September 2014. A more client-oriented public sector, including increased use of internet-based-services (through the authorities' e-government project), should also improve the business climate.
- The tabling of a new Electricity Act—a structural benchmark for September 2014—will be delayed as the authorities have initiated a reassessment of the organization of the power sector by the Electricity Sector Enterprise Team (MEFP, ¶25). This initiative followed prolonged difficulties in the procurement of a new power plant. It is aimed at both managing the procurement process and creating a viable model for the sector, against a background of spreading self-generation by large users. The electricity act, which will clarify and codify the roles and responsibilities of the main actors in a sector that is critical to economic growth is now expected to be tabled in parliament in January 2015 (proposed modification of structural benchmark).

22. The Government launched in July a strategy for a more comprehensive approach to social protection policy. It aims to streamline programs, foster high institutional coordination and be more cost-effective, and improve the targeting of beneficiaries, with effective exit strategies for them. For the near term, the government has planned another increase in the benefits provided

under PATH, Jamaica's conditional cash transfer program, by 15 percent in September, while continuing the ongoing recertification exercise.

PROGRAM ISSUES

23. The recent bond issue requires some modifications to the quantitative targets under the program; the establishment of performance criteria for end-June 2015 is also proposed. Proposed modifications to the performance criterion on direct government debt for September 2014 through March 2015 accommodate the bond issue itself, while the modest proposed modification to the March 2015 overall balance performance criterion would accommodate the first semi-annual interest payment on this bond. The program floor for international reserves would not be adjusted. The existing targets foresee reserves rising gradually to levels above various measures of adequacy, with import coverage expected to reach 4½ months of imports of goods and services by March 2017 (from less than three months at the start of the program). The newly issued external commercial bond will temporarily raise actual reserves above this floor into 2015, although the level and duration of this deviation are difficult to project as they depend on possible liability management operations by the government and the central bank. Proposed modifications to the performance criterion on the primary balance for end-December 2014 and end-March 2015 reflect a shift in the timing within the fiscal year of a wage settlement agreed at the outset of the program, while the modified floor for tax revenues at December 2014 is based on an updated analysis of the timing of receipts within the fiscal year.

24. The program remains fully financed and staff's assessment of Jamaica's capacity to repay the Fund remains broadly unchanged from the last review (Table 10). This capacity is deemed adequate, and will continue to depend on the timely and strong implementation of the ambitious program. External financing has remained broadly in line with earlier program assumptions, with IFI disbursements expected to be relatively backloaded in the current fiscal year. Staff maintains its proposal presented in the June 2014 staff report that the scheduled September 2014 purchase, associated with the fifth review under the extended arrangement, be used for providing direct budget support.⁵ In particular, domestic government financing remains blocked by the frozen bond market, and the external bond issuance, that has boosted liquidity in the near term, was calibrated incorporating the expected Fund support. Debt service to the Fund and the purchase profile remain unchanged in the absence of significant revisions to the macroeconomic outlook.

STAFF APPRAISAL

25. Gains from Jamaica's demanding program of reforms are emerging. Jamaica has regained market access, and raised valuable financial resources by issuing an external commercial

⁵ As a safeguard, the authorities have established a separate memorandum of understanding between the central bank and the government on servicing obligations to the Fund.

bond on favorable terms, following four completed program reviews under the Fund-supported program. The program remains on track, with all quantitative performance criteria and structural benchmarks met at end-June 2014. The external position has strengthened, helped by further gains in external competitiveness. Earlier projections of a very gradual pickup in economic activity and employment, and moderating inflation, are now playing out (although dampened in the near term by the effects of drought). Stronger growth would be welcome, including to help cement social cohesion and societal support for sustaining the reforms under the program.

26. A swift removal of regulatory and financial impediments to investment would provide a much needed boost to growth and job creation. Competitiveness is supported by the substantial depreciation of the exchange rate already realized during the program and ongoing adjustment will be imperative, especially given the inflation differential with trading partners. Building on these efforts, an overhaul of the red tape constraining investment and import-export transactions, and actions to facilitate the provision of credit to productive sectors, would be highly beneficial. Delays in procuring additional power generation capacity and tabling the Electricity Act are regrettable. A timely but rigorous resolution of the outstanding issues will be critical in supporting growth and attracting inward investment.

27. Keeping Jamaica's public debt on a sustainable path is critical for growth over the medium-term. In addition to maintaining the ambitious primary fiscal surplus over the next several years, further options to retrench public debt should be identified, including through elimination of existing guarantees and asset swaps or sales. Strengthening the debt management strategy will be important in that regard, as will be the ongoing emphasis on rebuilding a suitable external reserves buffer. Moreover, action is needed in several areas to ensure the sustainability and improve the quality of the fiscal adjustment.

28. Locking in the substantial gains from the fiscal consolidation hinges on accelerating the modernization of the public sector. Jamaica needs a skilled public sector that is cost-effective in delivering the services to nurture a thriving private sector. The speedy implementation of plans in that regard and other measures to control the wage bill will need to be woven carefully throughout the 2015/16 budget.

29. It is also essential to promptly execute structural reforms to enhance the efficiency of public expenditure and boost tax revenue. Priorities include improvements in treasury management and macro-fiscal forecasting. Mobilizing tax revenues will require accelerating the pace of reforms to strengthen the revenue administration as well as continuing to focus on achieving a significant reduction in tax expenditures.

30. Continued improvements in the regulatory and supervisory framework for the financial sector are vital. Subsidiary legislation to give effect to the Banking Services Act, which advances prudential standards and supervisory functions, should be implemented without delay. Reorienting the business model of the securities dealers in a timely manner, and restoring liquidity to the secondary market for government bonds while preserving financial stability, will require sustained attention.

31. The monetary policy stance remains well calibrated to economic circumstances and the central bank is taking valuable initial steps to strengthen the operational framework for monetary policy.

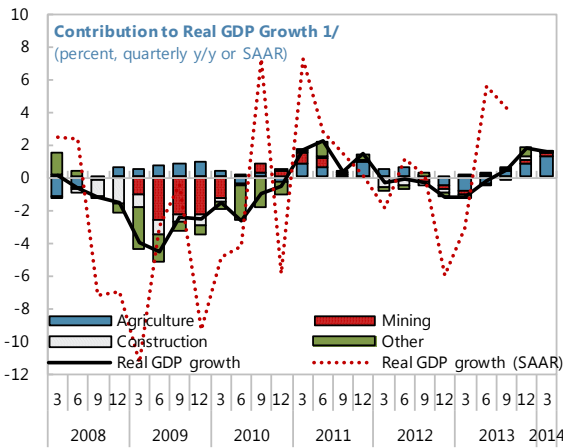
Monetary policy will need to remain restrained, in light of the importance of containing inflationary pressures and raising reserves over the medium term. The BOJ has started moving towards a price-based liquidity provision framework which would, in turn, help facilitate the creation of a corridor for short-term market rates.

32. Risks remain high, but the comprehensive and timely implementation of the government's economic strategy—supported by the international community—should foster recovery, job creation and declining poverty.

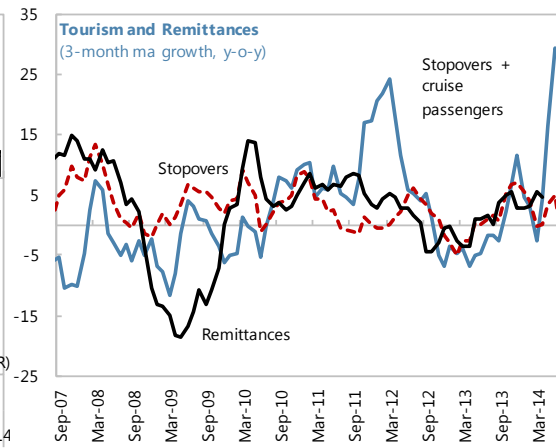
Financing risks have subsided with Jamaica's recent placement in international financial markets, but other risks persist. A particular challenge will be to keep the budget on track in the face of risks to revenues and to the projected reduction in the wage bill. Staff is confident that the policy commitments of the government will succeed in achieving the return to robust growth and job creation as well as the sustained reduction in public debt that are the principal objectives of the program. Staff therefore fully supports the authorities' request for completion of the fifth review under the arrangement under the Extended Fund Facility, and the proposed establishment and modification of performance criteria.

Figure 1. Jamaica: Recent Economic Developments

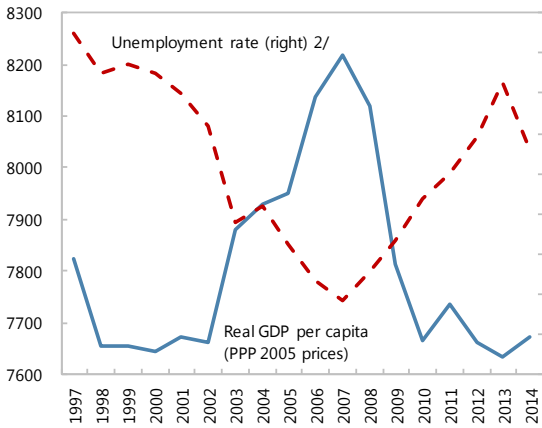
After contracting in 2012/13, there has been a modest recovery in economic activity.



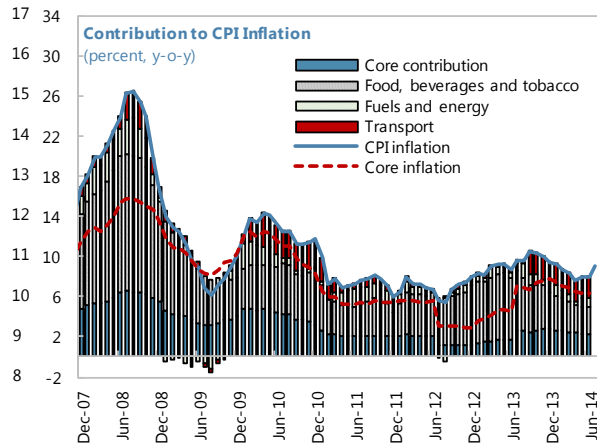
Remittances are strengthening and tourism has picked up owing to a surge in cruise passenger arrivals.



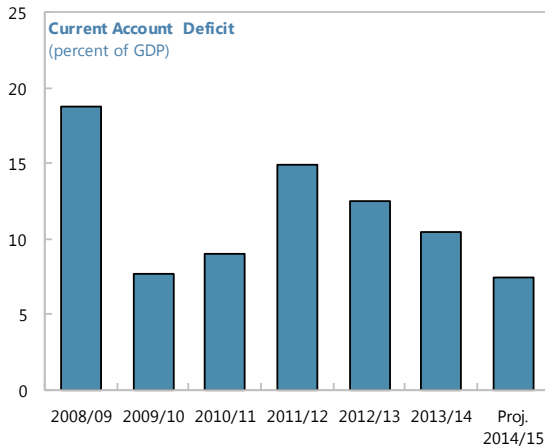
Unemployment is declining, but unemployment and poverty levels remain high, ...



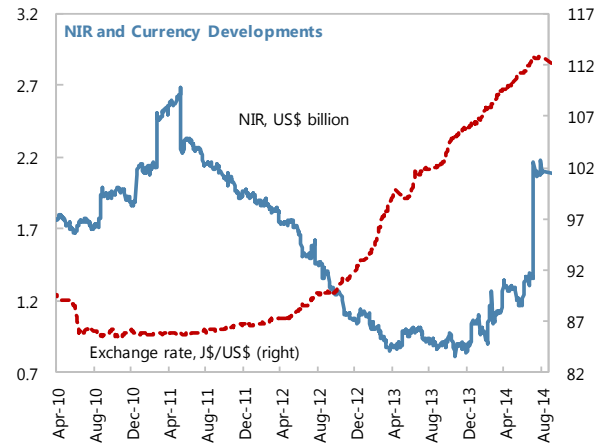
... and inflation, declining since mid-2013, rose in July 2014 due to drought.



The current account deficit has narrowed markedly since 2012/13, with fiscal consolidation and improved competitiveness, ...



... while international reserves have continued to increase since October 2013, boosted by the July 2014 bond issuance.



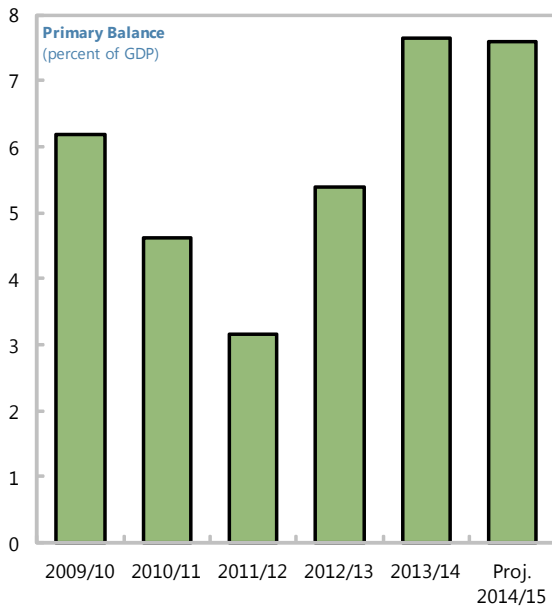
Sources: Bank of Jamaica; and Fund staff calculations.

1/ Seasonally-adjusted real GDP growth is in q/q annualized percent change.

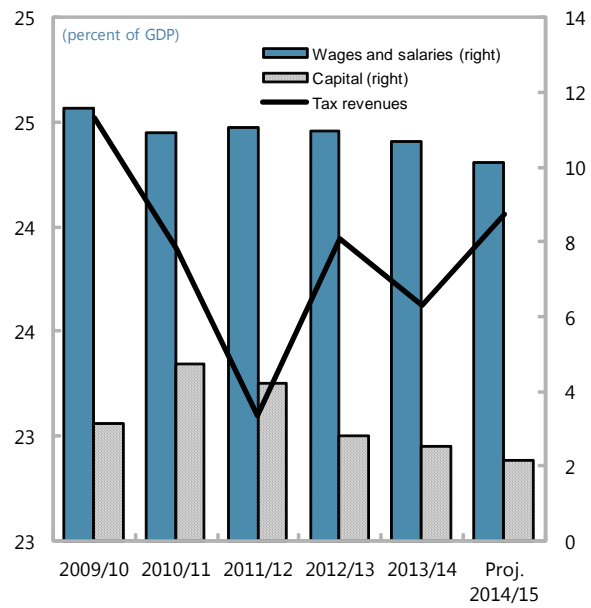
2/ Unemployment rate data for 2014 refers to April 2014.

Figure 2. Jamaica: Fiscal Developments

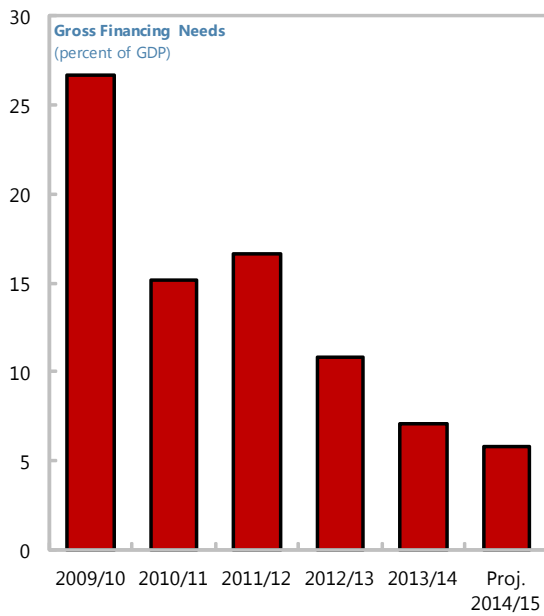
The fiscal position strengthened from 2012/13 to 2013/14 and is projected to remain stable in 2014/15...



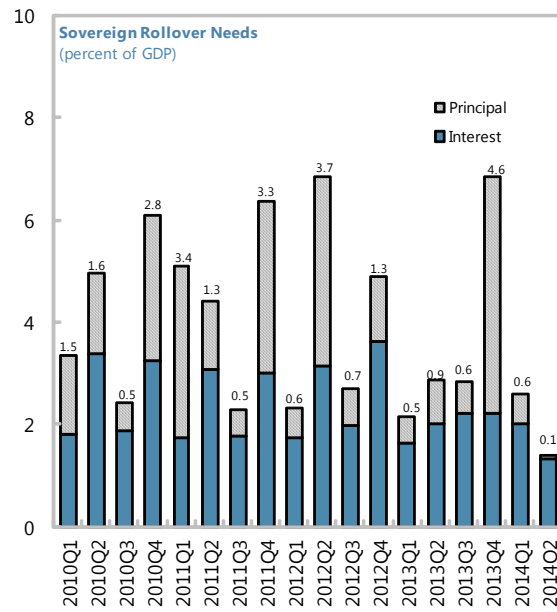
... owing to lower wage and capital spending.



Gross financing needs have declined significantly in recent times...



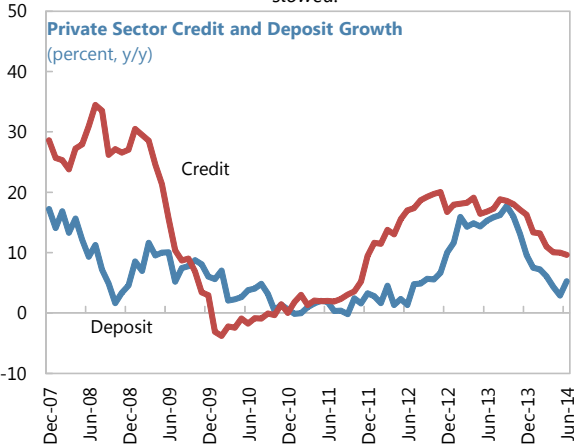
... with peaks in principal payments when large bond repayments are due.



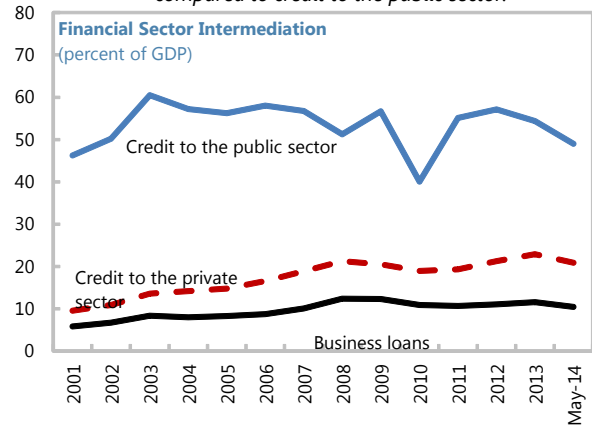
Sources: Ministry of Finance; and Fund staff calculations.

Figure 3. Jamaica: Financial Sector Developments

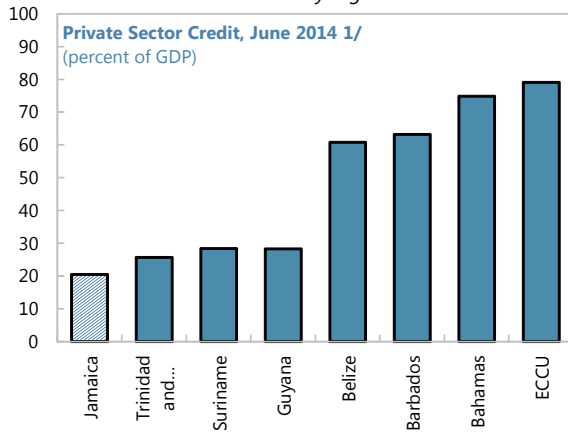
Growth of deposits and credit to the private sector has slowed.



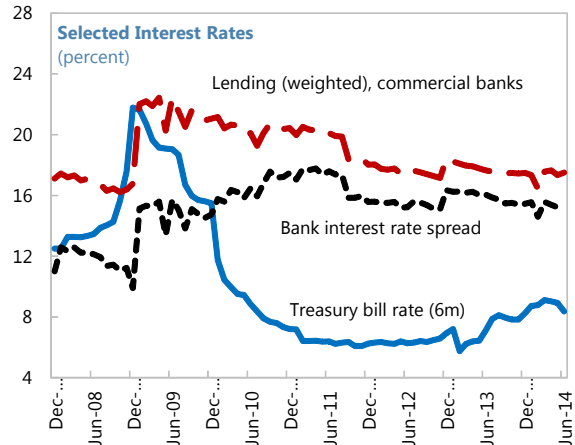
...but the level of credit to the private sector remains low compared to credit to the public sector.



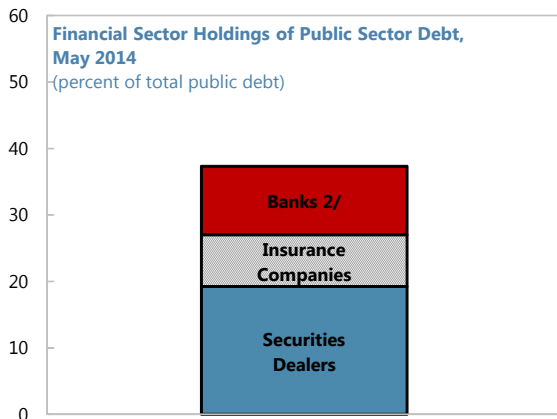
As a result, credit to the private sector relative to GDP continues to be low by regional standards.



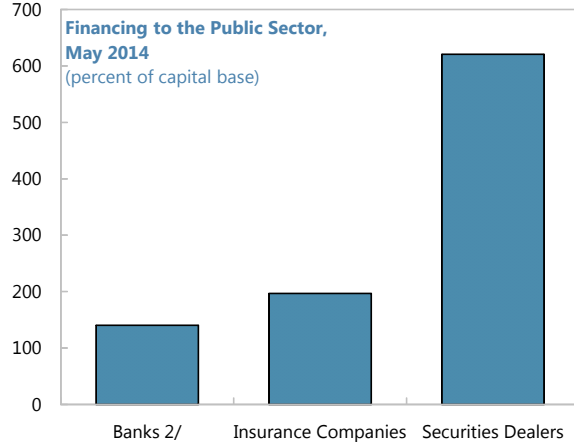
Interest rates remain high, but have stabilized in recent months.



The financial sector holds 40 percent of public debt...



... with government securities representing a multiple of the capital base.



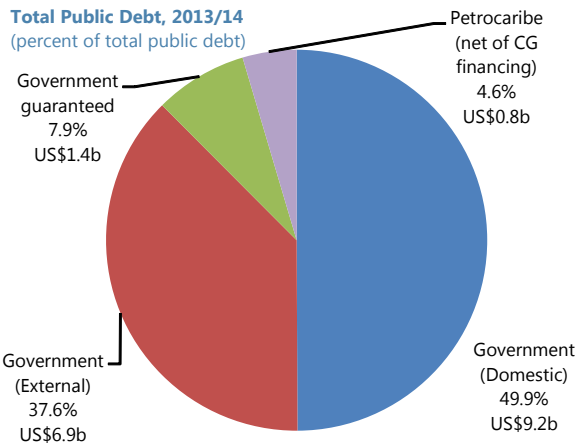
Sources: Bank of Jamaica; and Fund staff calculations.

1/ Latest available data.

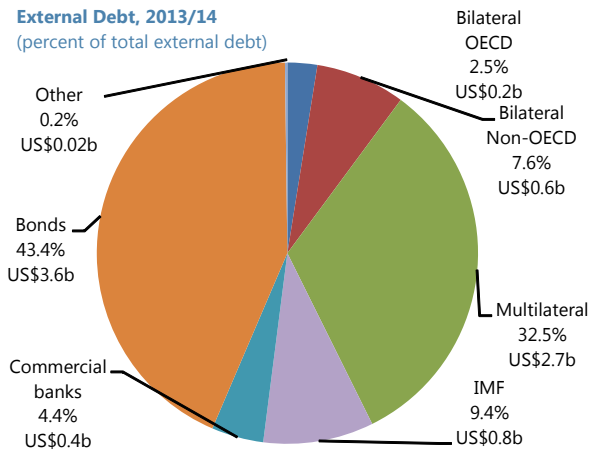
2/ Banks refer to the aggregate of commercial and merchant banks and building societies.

Figure 4. Jamaica: Public Debt

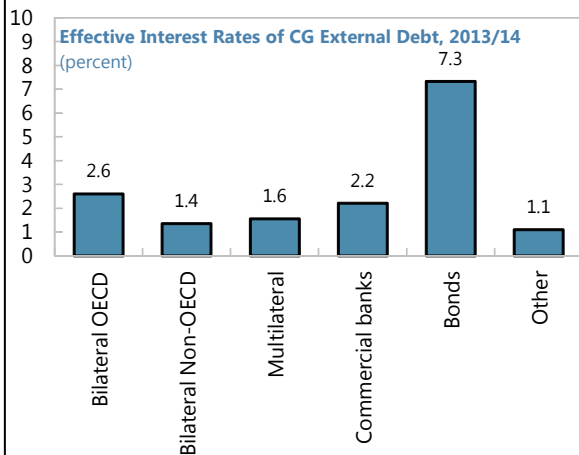
More than half of public debt is domestic and consists of a wide range of instruments.



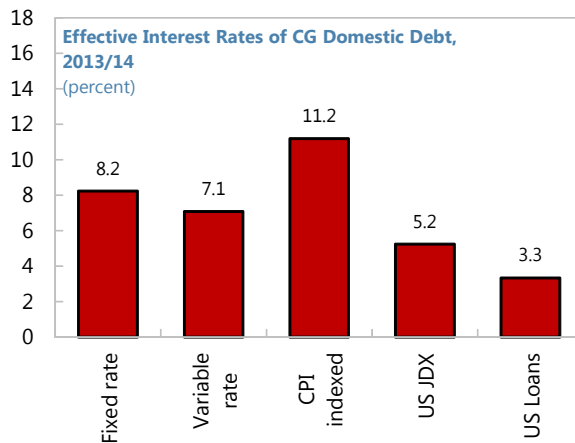
Bonds constitute a significant share of external debt...



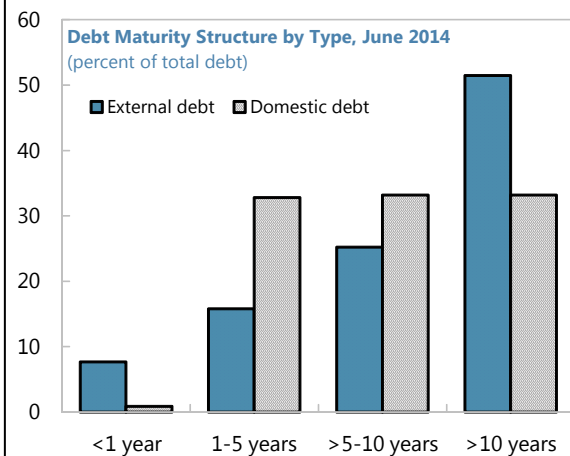
... and carry the highest interest rates in the external debt.



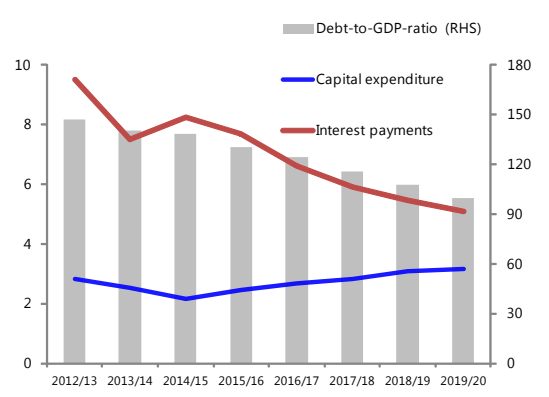
Domestic interest rates are now single-digit, except for CPI-indexed bonds.



External debt has longer maturity than the domestic debt.



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



Sources: Bank of Jamaica; Ministry of Finance; and Fund staff calculations.

Table 1. Jamaica: Selected Economic Indicators 1/

			Prel.	Prog.	Projections					
	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Population (2012): 2.8 million										
Quota (current; millions SDRs/% of total): 273.5/0.11%										
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar										
Per capita GDP (2012): US\$5310										
Literacy rate/Poverty rate: 86.4%/17.6%										
Unemployment rate (Apr. 2014): 13.6%										
(Annual percent change, unless otherwise indicated)										
GDP and prices										
Real GDP	0.9	-0.7	0.9	1.4	1.1	2.0	2.3	2.5	2.7	2.7
Nominal GDP	7.5	6.2	8.9	9.7	9.4	10.1	10.1	9.9	9.6	9.1
Consumer price index (end of period)	7.3	9.1	8.3	8.0	8.1	7.8	7.5	7.0	6.5	6.0
Consumer price index (average)	7.3	7.2	9.4	8.2	8.2	8.0	7.7	7.3	6.8	6.3
Exchange rate (end of period, J\$/US\$)	87.3	98.9	109.6	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	86.4	91.2	103.9	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	1.8	13.3	10.8	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	4.4	-2.2	-4.8	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	3.1	-3.4	-4.3	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	6.3	6.2	9.1	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	6.3	6.4	7.0	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	14.2	14.5	13.4	...	...	...	...	...	...	...
(In percent of GDP)										
Government operations										
Budgetary revenue	25.6	25.7	27.2	26.4	26.8	26.1	26.1	26.3	26.4	26.4
Of which: Tax revenue 4/	23.1	23.9	23.6	23.8	24.1	23.9	23.9	24.1	24.1	24.2
Budgetary expenditure	32.0	29.8	27.1	26.9	27.5	26.4	25.3	25.3	24.9	24.6
Primary expenditure	22.4	20.3	19.5	18.9	19.2	18.6	18.6	19.3	19.4	19.4
Of which: Wage bill	11.1	11.0	10.7	10.0	10.1	9.0	9.0	9.0	9.0	9.0
Interest payments	9.6	9.5	7.6	8.0	8.3	7.8	6.7	5.9	5.5	5.1
Budget balance	-6.4	-4.1	0.1	-0.5	-0.7	-0.3	0.8	1.1	1.5	1.9
Of which: Central government primary balance	3.2	5.4	7.6	7.5	7.6	7.5	7.5	7.0	7.0	7.0
Public entities balance	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-6.4	-4.1	0.1	-0.5	-0.7	-0.3	0.8	1.1	1.5	1.9
Public debt 5/	141.7	146.5	141.6	135.6	139.9	131.4	125.5	117.0	108.8	100.8
External sector										
Current account balance	-14.9	-12.6	-10.5	-8.0	-7.5	-6.2	-5.5	-5.1	-4.7	-4.4
Of which: Exports of goods, f.o.b.	11.6	12.0	10.9	11.5	11.6	12.0	12.4	12.3	12.6	12.3
Imports of goods, f.o.b.	41.1	38.9	37.5	38.1	37.0	36.3	35.7	34.1	32.7	31.4
Net international reserves (US\$ millions)	1,777	884	1,304	1,594	1,893	1,811	1,907	2,067	2,174	2,353
NIR (excl. prefinanced repayments of maturing bonds)	...	...	...	...	1,594	1,758	1,907	2,067	2,174	2,353
(Changes in percent of beginning of period broad money)										
Money and credit										
Net foreign assets	-15.7	-14.7	18.7	12.2	20.5	1.6	5.2	6.2	4.6	5.7
Net domestic assets	20.9	28.0	-12.6	-2.3	-12.0	8.5	4.9	3.7	5.0	3.4
Of which: Credit to the private sector	9.0	13.0	8.2	6.6	6.8	9.2	10.7	11.2	11.4	11.4
Credit to the central government	9.9	7.4	-5.1	0.5	0.5	1.8	1.6	1.5	1.3	1.2
Broad money	5.1	13.3	6.1	9.9	8.5	10.1	10.1	9.9	9.6	9.1
Memorandum item:										
Nominal GDP (J\$ billions)	1,261	1,340	1,460	1,618	1,597	1,759	1,937	2,129	2,334	2,547

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

2/ The new methodology uses trade weights for Jamaica that also incorporate trade in services especially tourism.

3/ As of January 31.

4/ in 2014/15, reflects the extension of the CGT to government purchases, with projected total yield of 0.4 percent of GDP.

5/ Central government direct and guaranteed only, including PetroCaribe debt (net of its financing to the central government) and projected IMF disbursements and other IFIs.

Table 2. Jamaica: Summary of Central Government Operations

(In millions of Jamaican dollars)

	2011/12	2012/13	Budget	Prel.	Prog.	Projections					
			2013/14	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Budgetary revenue and grants	322,457	344,668	407,160	396,982	427,889	427,889	458,711	505,975	560,224	615,507	673,634
Tax 1/	291,407	320,929	362,058	344,848	384,304	384,304	419,598	462,901	512,873	563,595	616,988
<i>Of which:</i>											
Income and profits	106,423	115,877	119,154	112,648	122,481	122,481	...	...	...	...	...
<i>Of which: Other companies</i>	29,035	35,798	37,008	35,155	42,366	42,366	...	...	...	...	...
PAYE	60,165	60,876	66,044	62,811	64,112	64,112	...	...	...	...	...
Production and consumption	84,629	96,460	117,090	115,214	130,665	130,665	...	...	...	...	...
<i>Of which: GCT (Local) 2/</i>	47,973	50,897	59,553	61,265	70,664	70,664	...	...	...	...	...
International Trade	96,512	105,306	121,928	113,892	128,807	128,807	...	...	...	...	...
<i>Of which: GCT (Imports) 2/</i>	41,685	45,501	53,893	51,238	60,392	60,392	...	...	...	...	...
Non-tax	27,602	19,799	35,680	41,705	34,940	34,940	31,757	34,973	38,446	42,149	45,993
Grants	3,449	3,940	9,422	10,429	8,645	8,645	7,356	8,101	8,905	9,763	10,653
Budgetary expenditure	403,192	399,279	415,206	395,856	435,374	439,486	463,661	490,120	537,706	580,625	626,091
Primary expenditure	282,487	272,341	295,679	285,322	305,908	306,614	326,815	360,723	411,192	452,121	495,348
Wage and salaries	139,557	147,382	157,253	156,362	161,704	161,704	158,275	174,302	191,612	210,069	229,224
Programme expenditure 3/	89,699	87,202	93,704	91,972	110,281	110,281	127,133	136,133	161,363	172,237	187,943
Capital expenditure 3/	53,231	37,758	44,722	36,989	33,923	34,628	41,407	50,288	58,218	69,815	78,181
Interest	120,704	126,938	119,567	110,534	129,466	132,873	136,846	129,396	126,513	128,504	130,742
Domestic	81,617	87,729	75,523	68,378	80,862	80,852	82,341	74,424	74,034	72,640	72,439
External	39,087	39,209	44,044	42,156	48,604	52,021	54,506	54,972	52,480	55,864	58,304
Budget balance	-80,734	-54,610	-8,046	1,125	-7,485	-11,598	-4,950	15,855	22,518	34,882	47,543
<i>Of which: Primary budget balance</i>	39,970	72,327	111,521	111,659	121,981	121,275	131,896	145,251	149,032	163,387	178,286
Public entities balance	-195	1,905	...	106	0	0	0	0	0	0	0
Public sector balance	-81,243	-55,161	...	1,231	-7,485	-11,598	-4,950	15,855	22,518	34,882	47,543
Principal repayments	128,455	88,681	105,680	104,122	65,328	81,722	146,943	63,932	232,988	174,111	213,992
Domestic	67,820	36,976	76,387	75,695	8,791	8,785	71,072	11,635	91,478	83,926	120,465
External	60,635	51,705	29,293	28,427	56,537	72,936	75,872	52,297	141,510	90,185	93,527
Gross financing needs	209,753	145,747	113,726	102,997	72,813	93,319	151,894	48,077	210,469	139,229	166,449
Gross financing sources 4/	209,753	145,747	103,280	102,997	72,813	93,319	151,894	48,077	210,469	139,229	166,449
Domestic	142,750	136,572	13,778	52,211	30,099	32,472	27,528	16,556	70,467	63,184	83,771
External	20,768	9,175	89,502	57,587	70,754	131,766	47,603	34,187	123,331	75,755	82,227
<i>Of which: Official</i>	30,032	9,175	57,587	45,015	40,381	40,381	47,603	34,187	32,265	39,933	42,791
Divestment + deposit drawdown	41,424	0	10,447	-6,802	-28,039	-70,919	76,762	-2,665	16,671	290	451
Memorandum items:											
Nominal GDP (billion J\$)	1,261	1,340	1,494	1,460	1,618	1,597	1,759	1,937	2,129	2,334	2,547
Public sector debt (billion J\$)	1,788	1,964	2,128	2,068	2,194	2,235	2,312	2,430	2,490	2,540	2,567
<i>Of which: Direct debt</i>	1,537	1,678	1,783	1,812	1,911	1,957	2,014	2,112	2,144	2,169	2,165

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ In the context of the tax reform, it is premature to project the exact composition of revenues.

2/ in 2014/15, reflects the extension of the CGT to government purchases, with projected total yield of J\$6 billion

3/ in 2014/15, projections reflect a reclassification of J\$8.8 billion from capital outlays to programme expenditures.

4/ It is assumed that 70 percent of Petrocaribe's annual inflows are used for domestic debt repayments.

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

	2011/12	2012/13	Budget	Prel.	Prog.	Projections					
			2013/14	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Budgetary revenue and grants	25.6	25.7	27.9	27.2	26.4	26.8	26.1	26.1	26.3	26.4	26.4
Tax 1/	23.1	23.9	24.8	23.6	23.8	24.1	23.9	23.9	24.1	24.1	24.2
<i>Of which:</i>											
Income and profits	8.4	8.6	8.2	7.7	7.6	7.7	...	...	...	...	...
<i>Of which:</i> Other companies	2.3	2.7	2.5	2.4	2.6	2.7	...	...	...	...	...
PAYE	4.8	4.5	4.5	4.3	4.0	4.0	...	...	...	...	...
Production and consumption	6.7	7.2	8.0	7.9	8.1	8.2	...	...	...	...	...
<i>Of which:</i> GCT (Local) 2/	3.8	3.8	4.1	4.2	4.4	4.4	...	...	...	...	...
International Trade	7.7	7.9	8.4	7.8	8.0	8.1	...	...	...	...	...
<i>Of which:</i> GCT (Imports) 2/	3.3	3.4	3.7	3.5	3.7	3.8	...	...	...	...	...
Non-tax	2.2	1.5	2.4	2.9	2.2	2.2	1.8	1.8	1.8	1.8	1.8
Grants	0.3	0.3	0.6	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Budgetary expenditure	32.0	29.8	28.4	27.1	26.9	27.5	26.4	25.3	25.3	24.9	24.6
Primary expenditure	22.4	20.3	20.3	19.5	18.9	19.2	18.6	18.6	19.3	19.4	19.4
Wage and salaries	11.1	11.0	10.8	10.7	10.0	10.1	9.0	9.0	9.0	9.0	9.0
Programme expenditure 3/	7.1	6.5	6.4	6.3	6.8	6.9	7.2	7.0	7.6	7.4	7.4
Capital expenditure 3/	4.2	2.8	3.1	2.5	2.1	2.2	2.4	2.6	2.7	3.0	3.1
Interest	9.6	9.5	8.2	7.6	8.0	8.3	7.8	6.7	5.9	5.5	5.1
Domestic	6.5	6.5	5.2	4.7	5.0	5.1	4.7	3.8	3.5	3.1	2.8
External	3.1	2.9	3.0	2.9	3.0	3.3	3.1	2.8	2.5	2.4	2.3
Budget balance	-6.4	-4.1	-0.6	0.1	-0.5	-0.7	-0.3	0.8	1.1	1.5	1.9
<i>Of which:</i> Primary budget balance	3.2	5.4	7.6	7.6	7.5	7.6	7.5	7.5	7.0	7.0	7.0
Public entities balance	0.0	0.1	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-6.4	-4.1	...	0.1	-0.5	-0.7	-0.3	0.8	1.1	1.5	1.9
Principal repayments	10.2	6.6	7.2	7.1	4.0	5.1	8.4	3.3	10.9	7.5	8.4
Domestic	5.4	2.8	5.2	5.2	0.5	0.6	4.0	0.6	4.3	3.6	4.7
External	4.8	3.9	2.0	1.9	3.5	4.6	4.3	2.7	6.6	3.9	3.7
Gross financing needs	16.6	10.9	7.8	7.1	4.5	5.8	8.6	2.5	9.9	6.0	6.5
Gross financing sources 4/	16.6	10.9	7.1	7.1	4.5	5.8	8.6	2.5	9.9	6.0	6.5
Domestic	11.3	10.2	0.9	3.6	1.9	2.0	1.6	0.9	3.3	2.7	3.3
External	1.6	0.7	6.1	3.9	4.4	8.3	2.7	1.8	5.8	3.2	3.2
<i>Of which:</i> Official	2.4	0.7	0.0	3.9	2.8	2.5	2.7	1.8	1.5	1.7	1.7
Divestment + deposit drawdown	3.3	0.0	0.7	-0.5	-1.7	-4.4	4.4	-0.1	0.8	0.0	0.0
Memorandum items:											
Nominal GDP (billion J\$)	1,261	1,340	1,460	1,460	1,618	1,597	1,759	1,937	2,129	2,334	2,547
Public sector debt	141.7	146.5	...	141.6	135.6	139.9	131.4	125.5	117.0	108.8	100.8
<i>Of which:</i> Direct debt	121.9	125.2	...	124.1	118.1	122.5	114.5	109.0	100.7	92.9	85.0

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ In the context of the tax reform, it is premature to project the exact composition of revenues.

2/ in 2014/15, reflects the extension of the CGT to government purchases, with projected total yield of 0.4 percent of GDP.

3/ in 2014/15, projections reflect a reclassification of 0.5 percent of GDP from capital outlays to programme expenditures.

4/ It is assumed that 70 percent of Petrocaribe's annual inflows are used for domestic debt repayments.

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars					In percent of GDP				
			Prel.	Prog.				Prel.	Prog.	
	2011/12	2012/13	2013/14	2014/15	2014/15	2011/12	2012/13	2013/14	2014/15	2014/15
Operating balance selected public entities 1/	55.2	60.6	16.6	...	...	4.4	4.5	1.1	...	...
<i>Of which:</i>										
Clarendon Aluminum	-7.2	-1.1	-10.1	...	...	-0.6	-0.1	-0.7	...	...
Petrojam	25.1	15.5	14.7	...	...	2.0	1.2	1.0	...	...
NROCC	-0.6	-3.3	-2.8	...	...	0.0	-0.2	-0.2	...	...
Urban Development Corporation	-0.8	-0.4	0.6	...	...	-0.1	0.0	0.0	...	...
National Water Commission	4.0	8.0	0.8	...	...	0.3	0.6	0.1	...	...
Port Authority of Jamaica	2.9	3.7	3.8	...	...	0.2	0.3	0.3	...	...
National Housing Trust	26.9	29.6	4.3	...	...	2.1	2.2	0.3	...	...
National Insurance Fund	1.7	4.8	1.4	...	...	0.1	0.4	0.1	...	...
Net current transfers from the central government	-11.8	-15.2	-19.1	...	...	-0.9	-1.1	-1.3	...	...
<i>Of which:</i>										
Clarendon Aluminum	7.5	3.4	1.7	...	...	0.6	0.3	0.1	...	...
Petrojam	-19.2	-21.3	-18.8	...	...	-1.5	-1.6	-1.3	...	...
NROCC	0.2	3.0	3.4	...	...	0.0	0.2	0.2	...	...
Urban Development Corporation	0.7	0.1	0.3	...	...	0.1	0.0	0.0	...	...
National Water Commission	0.0	1.0	0.7	...	...	0.0	0.1	0.0	...	...
Port Authority of Jamaica	0.0	0.0	0.0	...	...	0.0	0.0	0.0	...	...
National Housing Trust	-1.2	-4.0	-11.4	...	...	-0.1	-0.3	-0.8	...	...
National Insurance Fund	0.0	0.0	0.0	...	...	0.0	0.0	0.0	...	...
Gross capital expenditure selected public entities 2/	39.5	41.6	39.6	...	...	3.1	3.1	2.7	...	...
<i>Of which:</i>										
Clarendon Aluminum	-0.2	1.5	0.4	...	...	0.0	0.1	0.0	...	...
Petrojam	2.6	0.2	1.5	...	...	0.2	0.0	0.1	...	...
NROCC	0.6	0.3	0.4	...	...	0.1	0.0	0.0	...	...
Urban Development Corporation	0.7	0.2	1.8	...	...	0.1	0.0	0.1	...	...
National Water Commission	4.5	9.7	-6.0	...	...	0.4	0.7	-0.4	...	...
Port Authority of Jamaica	2.1	0.8	0.5	...	...	0.2	0.1	0.0	...	...
National Housing Trust	25.5	23.2	22.3	...	...	2.0	1.7	1.5	...	...
National Insurance Fund	0.1	0.0	0.0	...	...	0.0	0.0	0.0	...	...
Other net spending selected public entities 3/	0.0	0.0	-27.9	0.0	0.0	0.0	0.0	-1.9	0.0	0.0
Overall balance selected public entities	3.9	3.7	-14.2	-10.3	-10.3	0.3	0.3	-1.0	-0.6	-0.6
<i>Of which:</i>										
Clarendon Aluminum	0.5	0.8	-8.5	...	...	0.0	0.1	-0.6	...	...
Petrojam	3.3	-5.9	-5.0	...	...	0.3	-0.4	-0.3	...	...
NROCC	-1.0	-0.5	0.1	...	...	-0.1	0.0	0.0	...	...
Urban Development Corporation	-0.8	-0.5	0.6	...	...	-0.1	0.0	0.0	...	...
National Water Commission	-0.5	-0.7	-4.5	...	...	0.0	-0.1	-0.3	...	...
Port Authority of Jamaica	0.8	3.0	3.7	...	...	0.1	0.2	0.3	...	...
National Housing Trust	0.2	2.4	-4.7	...	...	0.0	0.2	-0.3	...	...
National Insurance Fund	1.6	4.7	1.4	...	...	0.1	0.4	0.1	...	...
Overall balance other public entities	-4.1	-1.8	14.3	10.3	10.3	-0.3	-0.1	1.0	0.6	0.6
Overall balance public entities	-0.2	1.9	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0

Sources: Jamaican authorities; and Fund staff estimates.

1/ Selected public entities refer to a group of the most important 18 public bodies of which 8 are shown. The operating balance is defined as current revenues minus current expenditures after adjustments from accrual accounting to cash basis.

2/ Gross of the change in inventories.

3/ Other net spending items not captured in the operating balance or gross capital expenditures. Positive number means spending.

Table 5. Jamaica: Summary Balance of Payments
(In millions of U.S. dollars)

	2011/12	Est.	Est.	Prog.	Projections					
		2012/13	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Current account	-2,173	-1,846	-1,477	-1,125	-1,051	-888	-802	-782	-763	-741
Trade balance	-4,311	-3,958	-3,743	-3,767	-3,552	-3,453	-3,415	-3,340	-3,249	-3,227
Exports (f.o.b.)	1,691	1,767	1,530	1,624	1,622	1,711	1,822	1,890	2,030	2,092
Imports (f.o.b.)	6,002	5,725	5,273	5,391	5,174	5,164	5,237	5,230	5,279	5,319
Fuel (cif)	2,508	2,139	2,118	2,269	2,015	1,998	2,033	1,987	1,987	2,013
Exceptional imports (including FDI-related)	476	607	359	650	650	550	350	400	400	450
Other	3,018	2,978	2,796	2,472	2,509	2,616	2,854	2,843	2,892	2,856
Services (net)	602	658	661	783	764	865	948	886	828	806
Transportation	-629	-748	-656	-681	-623	-586	-611	-624	-632	-641
Travel	1,863	1,900	1,921	2,009	1,945	1,960	2,035	2,038	2,014	2,020
Of which: Tourism receipts	2,029	2,059	2,095	2,165	2,124	2,145	2,226	2,237	2,221	2,235
Other services	-632	-494	-603	-545	-558	-510	-526	-528	-554	-573
Income (net)	-473	-609	-651	-398	-487	-557	-657	-671	-706	-705
Current transfers (net)	2,008	2,063	2,256	2,257	2,224	2,258	2,322	2,343	2,364	2,385
Government (net)	141	190	266	190	259	259	259	259	259	259
Private (net)	1,867	1,873	1,990	2,067	1,965	1,999	2,064	2,084	2,105	2,126
Capital and financial account	1,397	844	1,385	1,064	1,303	555	689	942	870	919
Capital account (net)	-11	-14	-26	16	-26	-26	-26	-26	-26	-26
Financial account (net) 1/	1,408	857	1,411	1,048	1,329	581	715	968	896	945
Direct investment (net)	201	310	527	387	387	532	506	506	460	470
Central government (net)	-443	-554	-262	-227	203	-479	-346	-131	-100	-75
Other official (net) 2/	698	542	316	558	549	421	281	230	185	201
Of which: PetroCaribe	492	462	382	327	318	246	179	126	81	46
Portfolio investment (net)	952	559	830	330	189	106	274	363	350	350
Overall balance	-776	-1,002	-92	-60	252	-333	-112	160	107	179
Financing	776	1,002	92	60	-252	333	112	-160	-107	-179
Change in net reserves (- increase)	776	893	-330	-291	-259	-44	-273	-142	-38	-71
Change in arrears	0	0	0	0	0	0	0	0	0	0
Financing gap	0	109	316	46	7	377	385	-18	-70	-108
IMF 3/	0	0	-26	-163	-163	127	176	-18	-70	-108
Disbursements	0	0	346	259	259	176	176	0	0	0
Repayments	0	0	-372	-422	-422	-50	0	-18	-70	-108
IFIs	0	107	391	210	170	250	209	0	0	0
Memorandum items:										
Gross international reserves	2,639	1,718	2,049	2,008	2,307	2,351	2,624	2,766	2,804	2,875
(in weeks of prospective imports of GNFS)	17.1	11.5	14.7	14.3	17.1	17.6	19.4	20.2	20.2	20.5
Net international reserves	1,777	884	1,304	1,594	1,893	1,811	1,907	2,067	2,174	2,353
NIR (excl. prefinanced repayments of maturing bonds)					1,594	1,758	1,907	2,067	2,174	2,353
Current account (percent of GDP)	-14.9	-12.6	-10.5	-8.0	-7.5	-6.2	-5.5	-5.1	-4.7	-4.4
Exports of goods (percent change)	19.2	4.5	-13.4	3.5	6.0	5.5	6.5	3.7	7.4	3.1
Imports of goods (percent change)	21.1	-4.6	-7.9	-2.0	-1.9	-0.2	1.4	-0.1	0.9	0.8
Oil prices (composite, fiscal year basis)	104.3	104.8	104.6	102.6	105.3	101.7	97.8	95.6	94.3	94.3
Tourism receipts (percent change)	1.1	1.5	1.8	8.8	1.4	1.0	3.8	0.5	-0.7	0.7
GDP (US\$ millions)	14,605	14,702	...	...	...	...	...	...	...	...
Jamaican dollar/USD, period average	86	91	...	...	...	...	...	...	...	...

Sources: Jamaican authorities; and Fund staff estimates.

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

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

3/ Negative indicates repayment to the IMF.

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

	2011/12	2012/13	2013/14	Prog.	Projections		
				2014/15	2014/15	2015/16	2016/17
(In billions of Jamaican dollars)							
End-of-period stocks 1/							
Net international reserves	158	83	139	190	225	232	259
Net domestic assets	-74	8	-44	-86	-123	-120	-134
Net claims on public sector	146	182	121	106	101	105	108
Net claims on central government 2/	75	90	75	72	72	75	78
Net claims on rest of public sector	71	92	56	24	19	19	19
Operating losses of the BOJ	0	0	-10	11	11	11	11
Net credit to commercial banks	-15	-20	-21	-25	-25	-28	-30
Of which : foreign prudential reserve	-15	-20	-21	-25	-25	-28	-30
Net credit to other financial institutions	-1	-1	-2	-2	-2	-2	-2
Open market operations	-112	-54	-31	-37	-68	-44	-43
Other items net (incl. valuation adj.)	-92	-98	-111	-129	-130	-151	-166
Valuation adjustment	-55	-59	-67	-84	-85	-106	-122
Base money	84	91	94	104	102	113	124
Currency in circulation	47	51	54	59	59	65	71
Liabilities to commercial banks	36	41	41	45	44	48	53
Fiscal year flows 1/							
Net international reserves	-70.5	-74.4	55.4	51.4	86.4	7.4	26.1
Net domestic assets	75.3	82.0	-52.3	-42.0	-78.4	3.0	-14.7
Net claims on public sector	44.3	36.1	-61.6	18.7	-19.1	3.2	3.2
Net claims on central government 2/	35.9	15.3	-15.4	-3.0	-3.0	3.2	3.2
Net credit to commercial banks	-1.3	-4.7	-1.6	-3.8	-3.4	-3.3	-2.2
Net credit to other financial institutions	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Open market operations	32.1	57.3	23.8	-39.3	-37.4	24.3	0.2
Other items net (incl. valuation adj.)	0.0	-6.6	-12.8	-17.5	-18.3	-21.0	-15.8
Base money	4.8	7.6	3.1	9.4	8.0	10.4	11.4
Currency in circulation	4.0	3.3	3.0	5.2	5.1	5.9	6.6
Liabilities to commercial banks	0.7	4.3	0.2	4.2	3.0	4.4	4.9
(Change in percent of beginning-of-period Base Money)							
Net international reserves	-89.3	-88.9	60.7	54.4	91.5	7.2	23.2
Net domestic assets	95.4	98.0	-57.3	-44.5	-83.0	2.9	-13.0
Net claims on public sector	56.2	43.1	-67.5	19.8	-20.2	3.1	2.8
Net credit to commercial banks	-1.6	-5.6	-1.7	-4.0	-3.6	-3.2	-2.0
Net credit to other financial institutions	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Open market operations	40.7	68.4	26.0	-41.6	-39.6	23.7	0.2
Other items net (incl. valuation adj.)	0.0	-7.9	-14.0	-18.6	-19.4	-20.5	-14.0
Base money	6.1	9.1	3.4	9.9	8.5	10.1	10.1
Currency in circulation	5.1	4.0	3.3	5.5	5.4	5.8	5.8
Liabilities to commercial banks	1.0	5.1	0.2	4.4	3.2	4.3	4.3
Memorandum items:							
Change in net claims on the central government (percent of GDP)	2.8	1.1	-1.1	-0.2	-0.2	0.2	0.2
Sources: Bank of Jamaica; and Fund staff estimates.							
1/ Fiscal year runs from April 1 to March 31.							
2/ Includes net unclassified and BoJ operating loss from the previous fiscal year.							

Table 7. Jamaica: Summary Monetary Survey 1/

	2011/12	2012/13	2013/14	Prog.	Projections		
				2014/15	2014/15	2015/16	2016/17
(In billions of Jamaican dollars)							
End-of-period stocks 1/							
Net foreign assets	165	113	187	238	273	281	307
Net domestic assets	185	283	233	224	183	222	246
Net claims on public sector	217	263	194	190	186	199	211
<i>Of which:</i> Central government 2/	168	194	173	175	175	184	192
Open market operations	-63	-36	18	4	-33	-27	-51
Credit to private sector	249	294	326	354	355	397	451
<i>Of which:</i> Foreign currency	81	81	82	77	77	80	84
Other 3/	-217	-237	-305	-324	-325	-347	-364
<i>Of which:</i> Valuation adjustment	-55	-59	-67	-81	-82	-98	-109
Liabilities to private sector (M3)	350	396	421	462	456	502	553
Money supply (M2)	236	252	261	274	271	292	327
Foreign currency deposits	114	144	160	188	186	210	227
Fiscal year flows 1/							
Net foreign assets	-52.4	-51.6	74.1	51.4	86.4	7.4	26.1
Net domestic assets	69.5	98.1	-50.0	-9.6	-50.6	38.8	24.7
Net claims on public sector 2/	24.7	45.9	-69.3	29.7	-8.2	12.9	11.9
<i>Of which:</i> Central government	32.9	26.0	-20.4	2.0	2.0	8.2	8.2
Open market operations	17.9	27.3	54.4	-47.8	-51.1	5.4	-23.4
Credit to private sector	30.1	45.3	32.3	27.8	28.8	42.2	53.6
<i>Of which:</i> Foreign currency	8.6	0.2	0.9	-4.4	-4.6	2.8	4.5
Other 3/	-3.2	-20.4	-67.4	-19.3	-20.1	-21.7	-17.4
<i>Of which:</i> Valuation adjustment	0.0	-4.6	-7.7	-14.0	-15.0	-15.9	-11.2
Liabilities to private sector (M3)	17.1	46.5	24.1	41.8	35.8	46.1	50.9
Money supply (M2)	10.5	16.0	8.4	13.4	10.1	21.7	34.4
Foreign currency deposits	6.6	30.6	15.7	28.4	25.7	24.5	16.5
(Change in percent of beginning-of-period M3)							
Net foreign assets	-15.7	-14.7	18.7	12.2	20.5	1.6	5.2
Net domestic assets	20.9	28.0	-12.6	-2.3	-12.0	8.5	4.9
Net claims on public sector 2/	7.4	13.1	-17.5	7.1	-1.9	2.8	2.4
<i>Of which:</i> Central government	9.9	7.4	-5.1	0.5	0.5	1.8	1.6
Open market operations	5.4	7.8	13.7	-11.4	-12.1	1.2	-4.7
Credit to private sector	9.0	13.0	8.2	6.6	6.8	9.2	10.7
<i>Of which:</i> Foreign currency	2.6	0.1	0.2	-1.0	-1.1	0.6	0.9
Other 3/	-1.0	-5.8	-17.0	-4.6	-4.8	-4.8	-3.5
<i>Of which:</i> Valuation adjustment	0.0	-1.3	-2.0	-3.3	-3.6	-3.5	-2.2
Liabilities to private sector (M3)	5.1	13.3	6.1	9.9	8.5	10.1	10.1
Memorandum items:							
M3/monetary base	4.2	4.3	4.5	4.5	4.5	4.5	4.5
M3 velocity	3.6	3.4	3.5	3.5	3.5	3.5	3.5
Sources: Bank of Jamaica; and Fund staff estimates and projections.							
1/ Fiscal year runs from April 1 to March 31.							
2/ Includes Bank of Jamaica operating balance.							
3/ Includes net credit to nonbank financial institutions, capital accounts, valuation adjustment, securities sold under repurchase agreements and net unclassified assets.							

Table 8. Jamaica: Structural Program Conditionality

Measures	Status/Timing	
Structural Benchmarks	Timing	Implementation status
Institutional fiscal reforms		
1. 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. 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
4. Government to table in parliament a budget for 2014/15 consistent with the program.	April 30, 2014	Met
5. Government to table in parliament a comprehensive Public Sector Investment Program (MEFP paragraph 17, Country Report No. 13/378).	April 30, 2014	Met
6. 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	Met
7. Ensure that the public service database e-census is up to date and covers all Ministries, Departments and Agencies.	September 10, 2014	
8. 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	
9. Table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25).	June 30, 2015	
Tax Reform		
10. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
11. 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
12. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
13. 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	
Tax Administration		
14. 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
15. Implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	
16. (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	
17. Implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	
18. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	Proposed
19. Introduce new productivity indicators, in consultation with Fund staff, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	Proposed
Financial sector		
20. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
21. 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
22. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (June 2014 MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	
23. Government to table the Omnibus Banking Law ^{1/} consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 2/
Growth enhancing structural reforms		
24. Government to implement a new (AMANDA) tracking system to track approval of construction permits across all parish councils.	December 30, 2014	
25. Government to table in parliament the Electricity Act.	January 31, 2015	Proposed revision

1/ Currently referred to as the Banking Services Act.

2/ The law was tabled in March 2014 with subsequent fine-tuning in collaboration with Fund staff prior to its adoption in June.

Table 9. Jamaica: Quantitative Performance Criteria 1/2/3/
(In billions of Jamaican dollars)

	2013		2014						2015		
	End-Dec.	End-Jun.	End-Jun.	End-Jun.	End-Sep.	End-Sep.	End-Dec.	End-Dec.	End-Mar.	End-Mar.	End-Jun.
	Stock	Prog.	Adjusted	Act.	PC	Revised PC	PC	Revised PC	PC	Revised PC	Proposed PC
Fiscal targets											
1. Primary balance of the central government (floor) 4/	...	15.5		19.0	37.8	37.8	76.0	66.0	122.0	121.0	17.0
2. Tax Revenues (floor) 4/9/	...	80.0		81.9	166.0	166.0	253.4	260.0	384.0	384.0	88.0
3. Overall balance of the public sector (floor) 4/	...	-19.3	-22.8	-19.1	-30.2	-30.2	-37.0	-37.0	-7.5	-11.6	-17.0
4. Central government direct debt (ceiling) 4/5/	1672.0	15.7		2.7	23.2	108.1	26.5	92.4	35.3	90.6	4.5
5. Central government guaranteed debt (ceiling) 4/	...	4.0		1.2	2.7	2.7	0.1	0.1	-1.8	-1.8	2.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0		-0.1	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		-0.2	0.0	0.0	0.0	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	0.0	0.0
9. Social spending (floor) 9/10/	...	4.2		4.7	8.9	8.9	14.8	14.8	21.7	21.7	4.5
Monetary targets											
10. Cumulative change in net international reserves (floor) 8/11/	1045.1	265.5	107.4	326.8	258.6	258.6	351.9	351.9	529.4	529.4	470.3
11. Cumulative change in net domestic assets (ceiling) 11/	-7.5	-29.1	-12.3	-42.5	-24.7	-24.7	-27.0	-27.0	-55.1	-55.1	-45.7
<p>1/ Targets as defined in the Technical Memorandum of Understanding.</p> <p>2/ Including proposed modified performance criteria for the net international reserves and the net domestic assets.</p> <p>3/ Based on program exchange rates defined in the March 2014 TMU.</p> <p>4/ Cumulative flows from April 1 through March 31.</p> <p>5/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.</p> <p>6/ Includes debt payments, supplies and other committed spending as per contractual obligations.</p> <p>7/ Includes tax refund arrears as stipulated by law.</p> <p>8/ In millions of U.S. dollars.</p> <p>9/ Indicative target.</p> <p>10/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.</p> <p>11/ Cumulative change from end-December 2013.</p> <p>12/ Continuous performance criterion.</p> <p>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.</p>											

Table 10. Jamaica: Indicators of Fund Credit, 2014-25
(In millions of SDRs, unless otherwise specified)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Prospective drawings (4-year EFF)	137.85	113.28	113.28	28.33	...	...	...	...	...	...	...	...
(in percent of quota)	50.40	41.42	41.42	10.36	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings)												
Amortization	79.68	95.63	3.99	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76
Amortization (SBA)	79.68	95.63	3.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortization (4-year EFF)	0.00	0.00	0.00	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76
Interest and service charges	1.73	5.20	5.96	6.57	6.38	5.90	5.16	4.21	3.13	2.03	1.14	0.52
SDR charges and assessments	0.01	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total debt service	81.42	100.88	10.00	18.03	43.54	70.76	88.89	104.46	105.74	93.25	66.65	38.33
(in percent of exports of G&S)	2.99	3.59	0.34	0.60	1.41	2.26	...	...	...	...	...	...
(in percent of GDP)	0.90	1.09	0.10	0.18	0.42	0.64	0.78	0.88	0.85	0.72	0.49	0.27
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings)												
Outstanding stock	460.10	477.76	587.05	603.98	566.88	502.08	418.39	318.19	215.63	124.46	59.00	21.24
(in percent of quota)	168.23	174.68	214.64	220.83	207.27	183.58	152.98	116.34	78.84	45.51	21.57	7.77
(in percent of GDP)	5.07	5.17	6.16	6.06	5.42	4.56	3.67	2.69	1.74	0.96	0.43	0.15
Memorandum items:												
Exports of goods and services (US\$ millions)	4,242.75	4,372.07	4,583.09	4,679.98	4,793.28	4,869.19	...	...	...	...	...	...
Quota	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50

Source: IMF staff projections.

Table 11. Jamaica: Schedule of Reviews and Purchases

Availability Date	Amount of Purchase		Conditions 1/
	Millions of SDR	Percent of Quota	
Purchases			
May 1, 2013	136.75	50	Approval of Arrangement
September 30, 2013	19.97	7	First Review and end-June 2013 performance criteria
December 18, 2013	19.97	7	Second Review and end-September 2013 performance criteria
March 19, 2014	45.95	17	Third Review and end-December 2013 performance criteria
June 20, 2014	45.95	17	Fourth Review and end-March 2014 performance criteria
September 15, 2014	45.95	17	Fifth Review and end-June 2014 performance criteria
December 15, 2014	45.95	17	Sixth Review and end-September 2014 performance criteria
March 15, 2015	28.32	10	Seventh Review and end-December 2014 performance criteria
June 15, 2015	28.32	10	Eighth Review and end-March 2015 performance criteria
September 15, 2015	28.32	10	Ninth Review and end-June 2015 performance criteria
December 15, 2015	28.32	10	Tenth Review and end-September 2015 performance criteria
March 15, 2016	28.32	10	Eleventh Review and end-December 2015 performance criteria
June 15, 2016	28.32	10	Twelfth Review and end-March 2016 performance criteria
September 15, 2016	28.32	10	Thirteenth Review and end-June 2016 performance criteria
December 15, 2016	28.32	10	Fourteenth Review and end-September 2016 performance criteria
March 15, 2017	28.33	10	Fifteenth Review and end-December 2016 performance criteria
Total	615.38	225.0	

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

Appendix I. Letter of Intent

Kingston, Jamaica
September 9, 2014

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

Dear Ms. Lagarde,

Jamaica has continued the steadfast implementation of 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 under the programme have been met for all quarterly test dates. The Government has also implemented all of the structural benchmarks that were included in the programme, albeit with some minor delays.

The Government remains fully committed to meeting the objectives of the programme, as well as the specific targets set out in the June 2014 Memorandum of Economic and Financial Policies (MEFP). Attachment 1 to this letter is a supplement to the 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, the Government requests that the Executive Board of the IMF complete the fifth review of the extended arrangement under the Extended Fund Facility, approve the proposed modifications of performance criteria as well as new performance criteria for June 2015, and approve the sixth purchase under the arrangement of SDR 45.95 million. 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,

/s/
Peter D. Phillips,
Minister of Finance and Planning
Jamaica

/s/
Brian Wynter
Governor, Bank of Jamaica
Jamaica

Attachment I. Memorandum of Economic and Financial Policies

RECENT DEVELOPMENTS

1. **On June 20, 2014, the Fund's Executive Board approved the Fourth Review the four-year extended arrangement under the EFF in support of Jamaica's economic reform programme.**
2. **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 1.2 percent in the first quarter of FY2014/15 (April to June 2014), supported by growth in agriculture, construction, and tourism.
 - **Inflation.** Consumer price inflation amounted to 9.0 percent (year-on-year) in July 2014, reflecting the impact of drought on agricultural production and the pass-through of nominal depreciation into domestic prices.
 - **Balance of Payments.** The current account deficit is estimated at 10.4 percent of GDP in 2013/14, down from 12.6 percent in 2012/13, supported by exchange rate depreciation and fiscal consolidation. Net international reserves (NIR) increased to US\$1.37 billion by end-June 2014, comfortably meeting the programme's NIR target. As of end-July, reserves amounted to US\$2,180 million, boosted by an US\$800 million external bond issued by the Jamaican Government in early July.
 - **Public Finances.** Fiscal performance in the first quarter of FY 2014/15 was broadly satisfactory. Tax revenues were slightly above the June programme floor despite a shortfall in corporate taxes, while grants were lower than anticipated. Current and capital expenditures were also lower than projected, partly from savings in the wage bill, and both the central government primary balance and overall balance of the public sector exceeded the programme target.

PERFORMANCE UNDER THE PROGRAMME

3. **Overall policy implementation under the programme remains strong and structural reforms are progressing.** All quantitative performance targets and indicative targets for end-June were met. Structural benchmarks due during April to June 2014 were also met. The Government tabled and Parliament adopted a 2014/15 budget consistent with the programme, as well as a comprehensive Public Sector Investment Programme. The Government also tabled amendments to the GCT Act.

POLICIES FOR 2014/15 AND BEYOND

4. **The Government remains fully committed to the reform strategy and the supporting policies outlined in the June 2014 MEFP.** Unless modified below, that strategy and those policies

remain valid in full. The quantitative targets that serve as performance criteria and indicative targets under the programme have been updated and extended through June 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.

Tax Reforms

5. Several elements of the extensive reform of the tax system that have already been presented require further action:

- 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 December 2014.
- 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.
- Amendments to the GCT Act were 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 eliminate the zero rating of government purchases under the GCT. The amendments are expected to be adopted by Parliament by September 2014. Key elements 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.
 - Elimination of the zero-rating of government purchases (in place since June 1, 2014, on the basis of a provisional order). This reform will be made permanent via the amendments to the GCT Act.
 - Extension of the GCT to imported services other than electricity, business processing, tourist accommodations and imports by the bauxite/alumina subsector.
 - 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. This reform will be made permanent via the amendments to the GCT Act.

6. Important follow-up initiatives are still 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 is now being 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 and beyond, 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. The IDB is providing technical assistance to support these assessments. Furthermore, and based on this TA, we plan to improve the reporting on tax expenditures in the context of future budgets. 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. Property tax reform is envisaged to be ready for implementation by the start of FY2015/16, as discussed in the June 2014 MEFP.

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

- Continued to improve JCA accounting and financial systems, through the introduction of ACCPAC (Accrual Accounting System) in March 2014 for the JCA, and in September 2014 for the TAJ (inventory and asset management components only).
- Tabled and debated the Tax Collection (Miscellaneous Provisions) Act, 2014 and the Tax Penalties (Harmonization) Act, 2014 (formerly referred to as 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. Amendments (including powers to seize and sell taxpayers' property, harmonization of penalties and fines where appropriate and the introduction of mandatory income tax filing for every business) are expected to be adopted by Parliament in September 2014.

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

- Setting up a modernization programme office in the TAJ before end-September 2014.
- Improving the regime for making tax payments, with lower bank charges, by February 2015, with the assistance of the World Bank.
- Increase the number of banks that accept the use of RTGS as an alternative channel for the payment of duties and taxes on commercial imports; discussions with banks are ongoing.
- 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) (*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.

- Enact amendments to the Customs Act to facilitate implementation of ASYCUDA World and trade facilitation (September 2014). A comprehensive overhaul of the Customs Act will be tabled by June 2015 (*new structural benchmark*).
- Automating tax and customs operations by implementing:
 - (i) ASYCUDA World for the Kingston Port as a pilot site (*structural benchmark for December 2014*),
 - (ii) Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package (*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 major tax types; the stamp duty and transfer tax will be added if possible (April 2016).
- Preparing (with IMF TA support) an estimate of the revenue compliance gap for the GCT by February 2015, to provide a basis for measuring the impact of administrative reforms.
- Legislation related to the establishment of the Revenue Appeals Department as a separate, independent entity, with IFC support, will be tabled in Parliament by end-October 2014.
- Implementing new revenue productivity indicators that measure the effectiveness and the efficiency of the tax system (*new structural benchmark for November 2015*), building on TA provided by the Fund. The indicators should cover compliance gaps for all major taxes, as well as e-filing, non-filing, audit coverage, objection, and appeals results, arrears collection, collectible and disputed debts, refund processing, and customs clearance and customs post-clearance audits.

A Fiscal Rule

9. A new fiscal rule to enhance fiscal transparency and lock in the gains of fiscal consolidation was adopted by Parliament in March 2014. The March 2014 MEFP supplement described the new rule in detail. Fiscal targets based on the coverage of entities under the perimeter of the rule will take effect after the EFF programme. The classification rules for determining which entities would be deemed commercial and, on that basis, could be excluded from the coverage of the fiscal rule will be completed by October 31 2014. The exclusion criteria encompass a number of indicators consistent with fiscal and managerial independence, including in price setting and transfers, independence of human resource policy, financial standards, and transparency and

governance. Next steps to ensure effective implementation of the fiscal rule were listed in the June 2014 MEFP; including some that are of particular relevance in the context of the preparations for the 2015/16 budget:

- The Government will develop mechanisms to closely monitor possible fiscal costs and contingencies associated with possible PPPs. The total loan value of all new user-funded PPPs (excluding those confirmed by the Auditor General to involve only minimal fiscal contingent liabilities) will be capped at 3 percent of GDP on a cumulative basis over the programme period (*continuous structural benchmark*). 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) review value-for-money decisions. A database of PPP projects will be completed in October 2014.
- 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. The OAG will also be responsible for applying and interpreting the criteria for determining if public entities will be included under the fiscal rule after the current EFF programme. 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.
- To implement the intended strengthening of the sanctions regime to enhance public financial management reform, including the credibility of the fiscal rules, the Government will be undertaking a comprehensive review of the sanctions and enforcement framework in consultation with Fund staff, to have a more streamlined process in place 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 is expected to be provided by the IDB, the World Bank and the IMF to support this effort.

Reforms to Public Financial Management and the Budget Process

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

- The macro-fiscal capacity of the Ministry of Finance and Planning (MOFP) will be strengthened with the support of IMF TA. An action plan will be completed by September 2014, to include, among other things:
 - A strengthening of the tri-partite macro-fiscal coordination among the Bank of Jamaica (BOJ), the MOFP and the Planning Institute of Jamaica (PIOJ) to improve the development

and review of macro-fiscal projections and policies and the monitoring of macro-fiscal outcomes, to ensure alignment with the needs of the budget process. In particular, improving the revenue forecasting to avoid continuous deficit bias will be a policy priority.

- Re-organization and rationalization of the functions of the Fiscal Policy Management Unit (FPMU), with strengthened work processes and practices in respect of modeling, forecasting, impact and sensitivity analysis. This will include the recruitment of additional qualified staff for the Ministry's FPMU;
 - Rationalization of cash management functions between the FPMU and the AGD;
 - Capacity building through regular visits of a peripatetic advisor (IMF TA) to deliver training and hands-on support for technical and analytical work.
- The Treasury Single Account (TSA) at the Bank of Jamaica will be further expanded and improved, including by the closure of imprest and various transit accounts (including clearing accounts for the payment of salaries), collection of gross revenue flows, and inclusion of extra budgetary funds, executive agencies and budget-financed public bodies in the TSA. The Government will further increase direct payments through the TSA using the central treasury management system (CTMS), including of civil servants salaries, and will strive to retain collections in the TSA till payments need to be made. With technical assistance of the Fund a plan for further expansion of the TSA will be developed by December 2014.
 - We will review the needs for a service level agreement between the BOJ and the government for banking services provided by the BOJ.
 - The CTMS, which has been established ahead of schedule (end-March 2014 structural benchmark), has now been strengthened by including modules for the tracking of expenditures. A reporting module has been implemented and CTMS coverage and functionality will continue to be expanded. A CTMS development strategy will be prepared by March 2015.
 - 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. By December 2014, we aim to develop an AGD modernization plan, and to define a new organizational structure. In support of the modernization plan, an AGD Modernization Task Force including MOFP and AGD functional, HR, legal and IT expertise will be established by end-October 2014.
 - A new Cash Management Unit will be established in the AGD, and the cash management function (currently handled by FPMU) will be transferred to it by June 2015. A new cash forecasting model is expected to be developed by March 2015, with the help of IMF TA (funded by the Canadian Department of Foreign Affairs, Trade and Development).

- Earlier plans to introduce an IFMIS by 2016/17 will be reevaluated in consultation with TA providers.
- 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 in December 2013. Next steps include:
 - Implementation of the Electronic Tendering System in four pilot entities during the financial year 2014/15.
 - Adoption and effectiveness of the Procurement Act tabled by July 2014, with a view to its passing and effectiveness by January 2015.
 - A new procurement manual will be prepared by March 2015, with IDB assistance.

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

- The improved Public Investment Management System (PIMS), designed with World Bank support, 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 became 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) issuing by September 2014 the budget call for early and accurate budget envelopes and priorities, 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 (approved in July 2014). A further priority will be to strengthen the development of realistic budget apportionment plans.

Debt Reduction

12. 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. In designing and implementing these transactions, the Government will seek to ensure sound public sector governance. The Government has established the legal and administrative processes involved. A plan of action to reduce public debt by at least 1.0 percent of GDP by early 2015 was completed in August 2014. 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).

13. 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. By January 2015, the BOJ and the MOFP will finalize a Fiscal Agency Agreement on debt management operations and the debt issuance process.

Public Sector Reform

14. The Government is committed to improving the efficiency, quality and cost effectiveness of the public sector. We will develop an action plan for public sector transformation by end-September 2014 (*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 (informed by the review of public sector employment and remuneration that was completed as a *March 2014 structural benchmark*). 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. The Government will initiate discussions on a new wage agreement for the period after March 2015, to maintain a prudent path of public sector wages,**
- **Public Sector Positions.** The GOJ will continue to reduce the size of the public sector over 2013–15 through the elimination of some posts and an attrition programme. 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.
- 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) (*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 October 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.

15. 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 December 2015 for all other public bodies. Monitoring of public bodies will be strengthened by (1) enforcing a time limit for submission of the relevant 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. In addition, by June 2015, a review will be undertaken to evaluate the scope for reintegrating some public bodies into the central government and setting others at a more arms-length distance from the central government with a governance framework aligned with international best practices.

FINANCIAL SECTOR REFORMS

16. We are taking steps to mitigate the risks inherent in Jamaica's highly interconnected financial system. A Banking Services Act 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 BOJ has operational independence for supervision was adopted by Parliament in June 2014 and will take effect by June 2015 after finalizing subsidiary legislation under this Act. Going forward, we have sought Fund technical assistance to develop a comprehensive strategy for crisis management and resolution frameworks, centered on the securities and banking sectors. Subject to review informed by forthcoming technical assistance, we will make any necessary legislative amendments to support this strategy by end-March 2015, with a stakeholder consultation process scheduled to start by mid-January 2015. The FSC will provide indemnification to its staff under the PBMA for costs of legal proceedings. Moreover, the regulatory and supervisory framework for non-bank financial institutions will be strengthened with Fund technical assistance. The authorities will prepare a comprehensive strategy paper to enhance BOJ governance and autonomy for discussion by December 2014. Furthermore, the authorities will amend the BOJ Act in order to vest the BOJ with overall responsibility for financial stability and will assess the need and scope for priority revisions, especially in the context of the Safeguards assessment, and address these by end-March 2015.

17. We are taking steps to make less risky business models available to securities dealers. In December 2013 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 effective as of July 1, 2014. This cap will be removed altogether by end-2016 unless extraordinary circumstances require a reassessment. Furthermore, consultations are ongoing between the BOJ, 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 BOJ, in collaboration with the FSC, will prepare a paper for discussion with the industry by March 2015. The remaining tax obstacles to CIS, in particular those arising from the stamp duty and the transaction tax, were removed in July 2014 through a provisional order that will expire in December 2014 and could be renewed for periods of three months; we will adopt legislative amendments by end-December 2014 to remove these obstacles for a longer period to provide certainty and encourage the use of CISs.

18. We are implementing measures to protect the interest of retail repo clients. In consultation with Fund staff, we are establishing a distinct treatment for retail repo clients 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 retail 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. By September 2014, we will finalize the transaction structure for the trust-based framework; and by end-December 2014 the legal and regulatory framework supporting this framework will be in place (*structural benchmark*). The transition of retail repos to the trust-based framework will be finalized by end-June 2015 taking into account evolving market conditions and ensuring financial stability. As interim steps, we will start a pilot by end-February 2015, and start the transition by mid-April 2015.

19. We are also strengthening the securities dealer sector more broadly. We are taking steps to ensure the financial and operational readiness of the securities dealers to move to a trust-based framework, supported by joint focused stress tests by the FSC and BOJ that concluded mid-August 2014. By end-September, we will set up backstop facilities for exceptional financial support for the securities dealers; by end-October 2014 we will put in place contingency plans for the securities and banking sectors to maintain broader financial stability.

20. 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. Our aim is to ensure that in the near to medium term the size of the retail repo business is at a level deemed by the BOJ and the FSC to be systemically safe and prudentially manageable. As the first step, the FSC will establish by end-September 2014 (i) an initial minimum transaction size for retail repos, and (ii) a timetable to gradually increase the minimum transaction size. Additional supporting measures could include (i) a gradual tightening of capital and liquidity 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. By mid-November 2014 we will put in place a strategy for the gradual tightening of prudential standards. The FSC will also continue to enhance its monitoring and reporting methods for the securities dealers.

MONETARY AND EXCHANGE RATE POLICY

21. 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, in the context of a possible move to full-fledged inflation targeting.

22. The BOJ will continue to respond to liquidity pressures in the financial system. The BOJ has taken steps to rationalize the structure of its interest rates and provide liquidity with greater certainty including by removing the volume limit on its Standing Liquidity Facility. Over the course of FY 2014/15, the BOJ will continue to refine its monetary policy operations in order to further increase certainty in its liquidity provision at a price consistent with its policy goals.

GROWTH ENHANCING REFORMS

23. Actions for improving the business climate are critical:

- 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.
- We are preparing a programme of reforms to be implemented for the improvement to the Development Applications Process (DAP), including provisions to fast-track lower-risk and smaller projects. A Memorandum of Understanding between the Local Planning Authorities (LPAs) and the National Environment and Planning Agency (NEPA) will be effected to facilitate a Joint Technical Team for the review, assessment and monitoring of development applications. Applications for projects above certain thresholds would be handled by the established joint technical team, which would include NEPA, National Works Agency and the relevant parish councils, while smaller projects would be handled by the parish councils, with clarity on the expected maximum timeframes. The improvements to the DAP will enable the facilitation of developers' submissions of Preliminary, Outline or detailed applications to the relevant LPAs. Outline approvals can be given, subject to the reserved matters. Reserved matters include other detailed planning requirements, such as parking, drainage, setbacks etc. The programme of reforms for the new process will be submitted to Cabinet by September 2014. The new process is expected to be in place by the end of 2014 and result in a faster, more streamlined approvals process.

- Under the Land Administration and Management Programme (LAMP) another 1,000 new titles are expected to be issued during 2014/2015. LAMP will be extending its services to clients in St. Ann, Westmoreland, St. James, Trelawny and Hanover.
- Actions toward parliamentary passage of an Insolvency Act are proceeding, with the legislation tabled in Parliament in December 2013. The Act is expected to be passed in September 2014 and enabling regulations will be in place by October 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 the time associated with the application and delivery of electricity permits by the Government Electricity Inspectorate (GEI) and the time for installation by the power company. The Government has conducted a business process review and commenced 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 and its adoption is expected to be completed by April 2016, with IDB support.
- Plans to establish a Port Community System (PCS) to electronically integrate and streamline export and import procedures are underway. 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 expected to be completed in September 2014 and will inform the next critical steps.
- A Special Economic Zone Act is expected to be passed by October 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.

24. Strategic investments to establish Jamaica as a logistics hub are well underway. Work is proceeding on the privatization of both Norman Manley International Airport (NMIA) and the Kingston Container Terminal. For NMIA, a rate review is expected to be completed in September 2014, the RFP is to be issued in January 2015, with the selection of a preferred bidder expected by May 2015. In the case of the Kingston Container Terminal, a contract could be awarded by November 2014. Regarding the development of a transshipment port and industrial and commercial zones in the Portland Bight area by China Harbour Engineering Company (CHEC), a final Framework Agreement was signed in August 2014. CHEC has commenced 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. Negotiations leading to execution of the Definitive Agreements are expected to commence shortly.

25. 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. After procurement efforts for a new power plant were suspended, an Electricity Sector Enterprise Team (ESET) started in July to prepare an action plan for creating a viable model for the sector, and to manage the procurement process for additional generation capacity as needed. The ESET aims to initiate this procurement process in the first quarter of 2015. It also aims to guide 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. While these amendments were initially expected to be submitted to Parliament by end-September 2014 (*structural benchmark*), the revised process will necessitate a delay in tabling of the amendments to January 2015 (*revised structural benchmark*), after which they will become effective by end-March 2015. We are also preparing a plan to ensure that all public entities (central government, local government, and public bodies) meet their financial obligations in a timely manner.

26. Labour market reforms are progressing. Legislation supporting flexible work arrangements is expected to be adopted in Parliament by October 2014. Among the legislation to be amended are the Shop and Offices Act and regulations; the Town and Communities Act, the Holiday and Pay Acts, and the Employment of Women Act. A public education campaign is planned to promote the use of flexible work 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 are being reviewed by the Unemployment Insurance Committee, and decisions are to be supported by two IDB-supported consultancies on Unemployment Insurance. A Cabinet note regarding options for reducing high separation costs will be submitted by March 2015.

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

	2013				2014				2015		
	End-Dec.	End-Jun.	End-Jun.	End-Jun.	End-Sep.	End-Sep.	End-Dec.	End-Dec.	End-Mar.	End-Mar.	End-Jun.
	Stock	Prog.	Adjusted	Act.	PC	Revised PC	PC	Revised PC	PC	Revised PC	Proposed PC
Fiscal targets											
1. Primary balance of the central government (floor) 4/	...	15.5		19.0	37.8	37.8	76.0	66.0	122.0	121.0	17.0
2. Tax Revenues (floor) 4/9/	...	80.0		81.9	166.0	166.0	253.4	260.0	384.0	384.0	88.0
3. Overall balance of the public sector (floor) 4/	...	-19.3	-22.8	-19.1	-30.2	-30.2	-37.0	-37.0	-7.5	-11.6	-17.0
4. Central government direct debt (ceiling) 4/5/	1672.0	15.7		2.7	23.2	108.1	26.5	92.4	35.3	90.6	4.5
5. Central government guaranteed debt (ceiling) 4/	...	4.0		1.2	2.7	2.7	0.1	0.1	-1.8	-1.8	2.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0		-0.1	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		-0.2	0.0	0.0	0.0	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	0.0	0.0
9. Social spending (floor) 9/10/	...	4.2		4.7	8.9	8.9	14.8	14.8	21.7	21.7	4.5
Monetary targets											
10. Cumulative change in net international reserves (floor) 8/11/	1045.1	265.5	107.4	326.8	258.6	258.6	351.9	351.9	529.4	529.4	470.3
11. Cumulative change in net domestic assets (ceiling) 11/	-7.5	-29.1	-12.3	-42.5	-24.7	-24.7	-27.0	-27.0	-55.1	-55.1	-45.7
<p>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.</p>											

Table 2. Jamaica: Structural Program Conditionality

Measures	Status/Timing	
	Structural Benchmarks	Implementation status
Institutional fiscal reforms		
1. 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. 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
4. Government to table in parliament a budget for 2014/15 consistent with the program.	April 30, 2014	Met
5. Government to table in parliament a comprehensive Public Sector Investment Program (MEFP paragraph 17, Country Report No. 13/378).	April 30, 2014	Met
6. 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	Met
7. Ensure that the public service database e-census is up to date and covers all Ministries, Departments and Agencies.	September 10, 2014	
8. 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	
9. Table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25).	June 30, 2015	
Tax Reform		
10. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
11. 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
12. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
13. 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	
Tax Administration		
14. 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
15. Implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	
16. (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	
17. Implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	
18. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	Proposed
19. Introduce new productivity indicators, in consultation with Fund staff, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	Proposed
Financial sector		
20. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
21. 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
22. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (June 2014 MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	
23. Government to table the Omnibus Banking Law ^{1/} consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 2/
Growth enhancing structural reforms		
24. Government to implement a new (AMANDA) tracking system to track approval of construction permits across all parish councils.	December 30, 2014	
25. Government to table in parliament the Electricity Act.	January 31, 2015	Proposed revision
1/ Currently referred to as the Banking Services Act.		
2/ The law was tabled in March 2014 with subsequent fine-tuning in collaboration with Fund staff prior to its adoption in June.		

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.

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

1. 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.

2. 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.

3. 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.

4. 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

5. 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.

6. 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.

7. 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.

8. 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.

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

10. 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.

In billions of Jamaican dollars	
End-June 2014	2.9
End-September 2014	-3.7
End-December 2014	-2.0
End-March 2015	-3.8
End-June 2015	2.5

C. Ceiling on the Stock of Central Government Direct Debt

11. 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.

- 12.** 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.
- 13.** Reporting: Data will be provided to the Fund with a lag of no more than four weeks after the test date.
- 14.** 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.

D. Ceiling on Net Increase in Central Government Guaranteed Debt

- 15.** 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.
- 16.** The cumulative net increase in central government guaranteed debt will be monitored on a continuous basis.
- 17.** Reporting: Data will be provided to the Fund with a lag of no more than four weeks after the test date.
- 18.** 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

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

21. 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

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

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

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

25. 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.

26. 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

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

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.

27. 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.

28. 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.

29. This performance criterion does not cover arrears on trade credits.

30. The performance criterion will apply on a continuous basis.

31. 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

32. 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.

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

34. 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

35. 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.

36. 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.

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

38. 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-September 2014	41
End-December 2014	141
End-March 2015	176
End-June 2015	42
Budget support grants	
End-September 2014	15
End-December 2014	24
End-March 2015	39
End-June 2015	0
IMF budget support disbursements	
End-September 2014	70.77
End-December 2014	141.54
End-March 2015	141.54
End-June 2015	0

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-June 2014	38.2
End-September 2014	44.9
End-December 2014	51.6
End-March 2015	62.7
End-June 2015	67.3
1/ Converted at the programme exchange rates.	

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

39. 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 programme 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.

40. 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

41. 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).

42. 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

43. 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.

44. 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.*

45. 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.

46. 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

47. 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.

48. 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.

49. 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

50. 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 programme period. At end-June 2014, the total loan value of existing user-funded PPPs contracted after May 1, 2013 was zero.

51. 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).

52. 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

53. 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.

²Selected 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.



Press Release No. 14/436
FOR IMMEDIATE RELEASE
September 24, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes Fifth Review under the Extended Fund Facility with Jamaica and Approves US\$68.8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Jamaica's economic performance under the program supported by a four-year, SDR 615.38 million (about US\$932 million at the time of approval) arrangement under the Extended Fund Facility (EFF).¹ The completion of the review enables an immediate disbursement of an amount equivalent to SDR 45.95 million (about US\$68.8 million). The Board made the decision based on lapse-of-time procedures, without a formal meeting.² The EFF arrangement was approved on May 1, 2013 (see Press Release 13/150 <http://www.imf.org/external/np/sec/pr/2013/pr13150>).

The program is on track. Jamaica's economic performance under the authorities' economic program supported by the EFF has remained strong. All quantitative performance criteria for end-June 2014, as well as the continuous quantitative program targets and structural benchmarks, were met. Gains from Jamaica's demanding reform program are emerging. Jamaica has recently regained market access—raising valuable financial resources—and its external position has strengthened, helped by gains in competitiveness. Earlier projections of a gradual pickup in economic activity and employment and moderating inflation are playing out, although dampened in the near term by the effects of the recent drought. Growth is projected to reach just over 1 percent in 2014/15, while inflation is trending down to about 8 percent. However, downside risks remain relatively high.

¹ The EFF is intended for countries which are: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. It provides assistance in support of comprehensive programs that include policies aimed at correcting structural imbalances over an extended period. Financing under the EFF currently carries the IMF's basic rate of charge, with a grace period of 4 years and a maturity of 11 years. (<http://www.imf.org/external/np/exr/facts/eff.htm>).

² The Executive Board takes decisions without a meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.

Comprehensive and timely implementation of the government's economic strategy—supported by the international community—should foster recovery, job creation and declining poverty. A swift removal of regulatory and financial impediments to investment would provide a much needed boost to growth and job creation, while keeping Jamaica's public debt on a sustainable path is critical for growth over the medium term. In that regard, locking in the substantial gains from the fiscal consolidation hinges on accelerating the modernization of the public sector, enhancing the efficiency of public expenditure, and strengthening revenue administration. To deliver private financing for growth-enhancing investment, the authorities' agenda to reform the financial sector aims to continue improving its regulatory and supervisory framework.