INTERNATIONAL MONETARY FUND

IMF Country Report No. 16/297

JAMAICA

September 2016

THIRTEENTH REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—PRESS RELEASE AND STAFF REPORT

In the context of the Thirteenth Review under the Arrangement Under the Extended Fund Facility, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on August 19, 2016, 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 August 31, 2016.

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

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

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

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International Monetary Fund
Washington, D.C.

Press Release No. 16/412
FOR IMMEDIATE RELEASE
September 19, 2016

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

IMF Executive Board Concludes Thirteenth Review under the EFF with Jamaica and Approves US$39.6 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed on September 16, 2016 the thirteenth review of Jamaica's economic performance under the program supported by a four-year, SDR 615.38 million (about US$932.3 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 28.32 million (about US$39.6 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).

Program implementation is on track. The authorities' continued commitment to the demanding reform program even in the fourth year of the IMF-supported program is commendable. All quantitative performance criteria for end-June 2016, as well as the continuous quantitative program targets and structural benchmarks, were met. Domestic confidence indicators are at an all-time high, and there are improving signs of economic activity, including agricultural recovery, strong performance in tourism and manufacturing, increased FDI inflow, and stronger private sector credit growth. Real GDP growth is estimated at 1 percent for FY15/16, and is projected to reach 1.7 percent in FY16/17. Nevertheless, important risks to the program remain.

Higher growth dividends, more job creation, and improved living standards will be essential to maintain social support for the reform agenda. Safeguarding growth-enhancing capital spending is essential for employment and job-creation. Assessing banking sector competition, improving land titling, as well as developing mobile money and agency banking

[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.

services will help alleviate constraints to financial inclusion and investment. The rebalancing from direct to indirect taxes provides an opportunity to improve compliance and increase incentives for production and effort. At the same time, protecting the poor and vulnerable is a high priority, which requires developing and implementing a well-designed plan to enhance Jamaica's social protection framework to ensure inclusive and equitable growth. Controlling the wage bill and reprioritizing public spending to areas where the need is highest, including by delivering public services cost-effectively and efficiently, are vital to support a dynamic private sector.

INTERNATIONAL MONETARY FUND

JAMAICA

August 31, 2016

THIRTEENTH REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

EXECUTIVE SUMMARY

Stable but slow expansion. Inflation and the current account deficit continue to be contained, thanks to relatively low oil prices and the government's policy efforts. Growth is projected to be 1.7 percent for FY2016/17 with improving prospects for investment, including in tourism and strong agricultural recovery. Unemployment, however, remains high, hampered by the weak activity in recent years. The poverty rate is also high at about 20 percent of the population.

Exemplary performance under the program. All performance criteria and structural benchmarks have been met. Based on the authorities' continued strong program implementation and their forward-looking policy commitments, staff recommends completion of the thirteenth review.

Focus of the review. Discussions focused on the ongoing policy efforts to rebalance from direct to indirect taxes, bolster social spending, rethink the public sector to enhance efficiency and reduce the wage-to-GDP ratio, further strengthen financial system resilience and the monetary transmission mechanism, and the steps needed to foster growth and job creation.

Risks. Tangible growth and job dividends will be critical to sustaining the reform path. After more than three years of sustained policy effort, reform fatigue and an already stretched implementation capacity could undermine social support for the program. A spread of the Zika virus and further surge in crime and violence pose risks to tourism, future investment, and could further strain the social fabric.

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

Discussions took place in Kingston during August 9–19, 2016. Staff representatives comprised U. Ramakrishnan (head), J. Okwuokei and J. Wong (WHD), X. Fang (FAD), R. Garcia Verdu (SPR), A. Guscina (MCM), and C. Lonkeng (Resident Representative).
They were assisted at headquarters by H. Canelas, E. Moreno and C. Li and at the Resident Representative office by R. Henry and K. Jones. Mr. Williams (OED) participated in the discussions.

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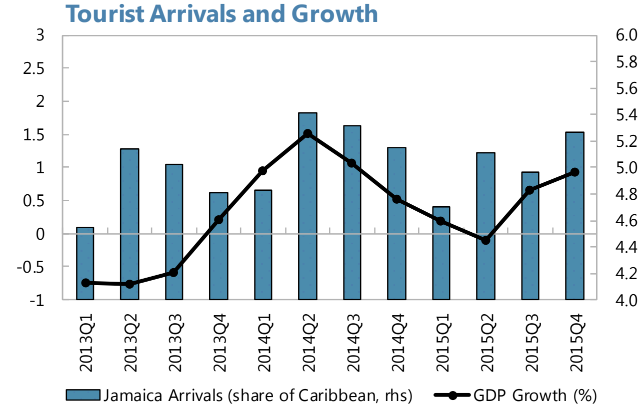
APPENDIX

A BUDDING BUT SUBDUED RECOVERY

1. **The growth outlook is improving.** Real GDP growth is estimated at 1 percent for FY15/16, somewhat higher than previously anticipated. Modest gains in agriculture, manufacturing, and electricity generation helped support growth; tourist arrivals remained strong. Unemployment increased to 13.7 percent in April 2016, from 13.2 percent in April 2015, partly reflecting an increase in labor force participation. Growth is projected to reach 1.7 percent in FY16/17 as the agricultural recovery continues and private investment improves (supported by a substantial increase in FDI, including in large tourism projects and Business Process Outsourcing). Meanwhile, business confidence is high and Jamaica's international bonds are trading at close to other emerging markets.

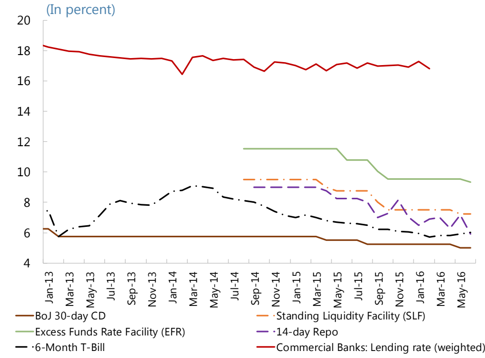
Tourist Arrivals and Growth



2. **Inflation remains low.** Headline CPI inflation was 2.5 percent in June reflecting still low oil prices and limited food price inflation. This was despite higher electricity and transportation costs partly associated with Phase I of the tax reform (see ¶10). Inflation is expected to rise to 5.2 percent by March 2017, largely a result of rising oil prices (Box 1).

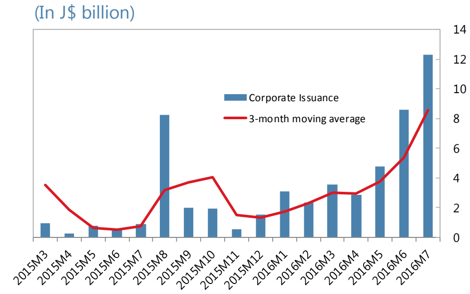
3. **The BoJ lowered the policy rate in May.** The policy rate (30-day CD) was reduced by 25 bps in May (a cumulative reduction of 75 bps since April 2015). The pass-through of these rate cuts to lending rates, however, continues to be weak as the historical pattern of high spreads between lending and deposit rates persists, reflecting weak competition and banks' high operating costs.

Selected Central Bank and Market Interest Rates
(In percent)



4. **Credit to the private sector is slowly recovering.** It jumped to about 20 percent (y/y) in June 2016, albeit starting from a modest base (22.4 percent of GDP). This increase included a single large loan for a corporate acquisition; even excluding it, credit growth was 14 percent (y/y) in June, and included productive and personal loans. Corporate bond issuances remain buoyant, with issuances in Q2 2016 increasing ten-fold compared to Q2 2015, albeit from a low base.

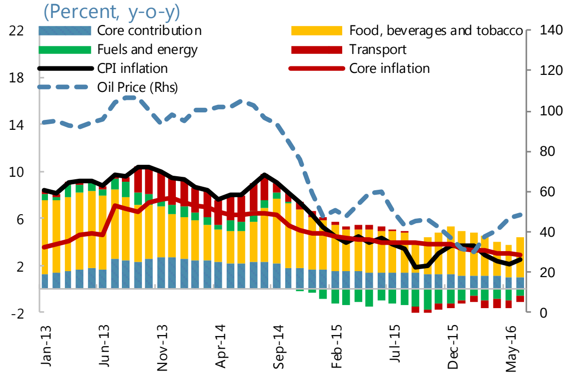
Corporate Securities Issuance
(In J$ billion)



Sources: Bank of Jamaica, Financial Services Comission, and Fund staff estimates.

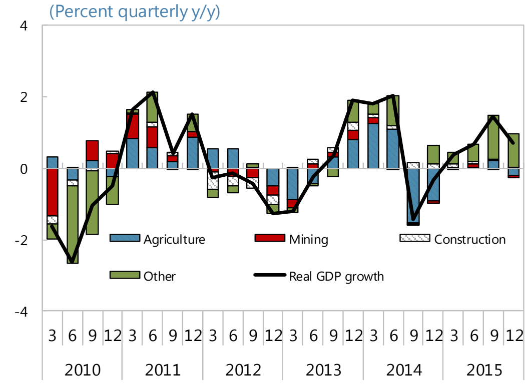
Contribution to CPI Inflation

(Percent, y-o-y)

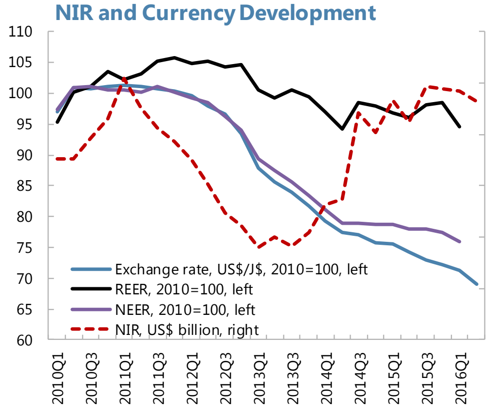


Contribution to Real GDP Growth

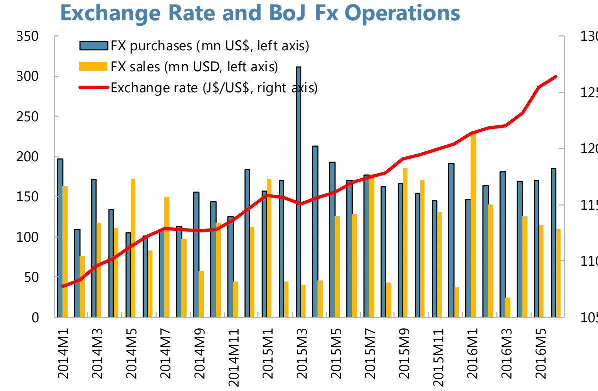
(Percent quarterly y/y)



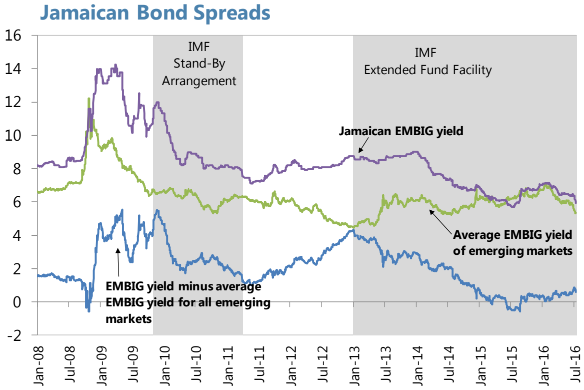
NIR and Currency Development



Exchange Rate and BoJ Fx Operations

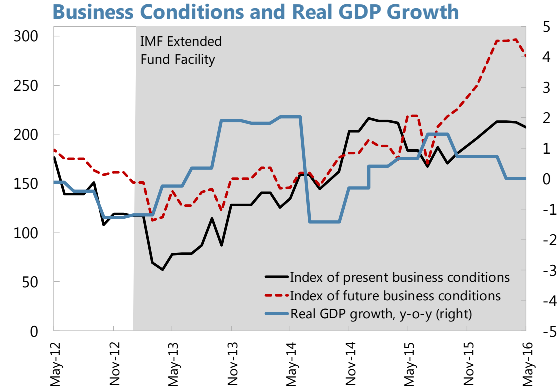


Jamaican Bond Spreads



Source: Bloomberg.

Business Conditions and Real GDP Growth



Source: Bank of Jamaica.

5. **The financial sector appears resilient, and the authorities are working on further strengthening the prudential supervision framework**. Non-performing loans in the banking sector are trending down (3.5 percent of total loans), driven not only by loan growth but also a reduction in the stock of NPLs (which fell by 4 percent in June, y/y). The dollarization trend is continuing for both deposit taking institutions (DTIs) and the securities dealers (SDs) sector. For DTIs, deposit dollarization is accompanied by dollarization of investment portfolios, and NOPs remain limited. Likewise, the SDs sector is showing continued shift in the composition of the investment portfolios towards FX-denominated securities. While foreign exchange and liquidity stress test assessments (performed by the BOJ on March 2016 data) have shown continued

resilience of the DTI and SD sectors to these shocks, the authorities are looking for measures to reverse the dollarization trend (see ¶19). To address the remaining balance sheet risks in the retail repo industry, the authorities are working on further tightening prudential standards for the securities dealers sector (MEFP ¶15).

6. **The external position continues to improve.** The current account deficit fell to about US$ 259 million (1.8 percent of GDP) in FY2015/16, driven by a smaller trade deficit as well as strong tourism and remittances receipts. The decline in the trade deficit was mainly due to lower fuel imports, which more than offset lower exports of bauxite and refined fuel products. Net international reserves (NIR) stood at US$2.4 billion at end-July, nearly US$500 million above the program target, while gross reserves stood at nearly 80 percent of the IMF's reserve adequacy metric at end-2015. The BoJ's FX market sales have declined in recent months, and the net FX purchases including the surrender requirement has been about US$388 million in 2016 (up to end-July). The J$/US$ exchange rate has depreciated by 5 percent in 2016, while the real effective exchange rate depreciated by 7 percent.

7. **There remain important risks to the program.** The continued spread of the Zika virus and a further escalation of violence, could negatively impact tourism. Uncertainty regarding the revenue yields of the ongoing tax reforms and insufficient progress in containing the wage bill pose risks to fiscal sustainability. Depreciation of the sterling following Brexit could reduce the inflows of tourists and remittances from the UK (although the impact is likely to be modest—see Box 2). Reform fatigue and an already-stretched implementation capacity remain important risks as the program enters its fourth year.

PROGRAM IMPLEMENTATION REMAINS STRONG

8. **All quantitative performance criteria (PCs) and structural benchmarks for end-June 2016 were met.** The central government's primary balance target for Q1 of FY16/17 exceeded the program target, with expenditures remaining below budget targets and indirect tax revenues exceeding forecasts. Capital execution lagged budget mainly due to delays in the construction of Business Process Outsourcing facilities and the late approval of this fiscal year's budget, reflecting the post-elections transition. Social spending, as has been the case throughout the EFF, significantly exceeded the program floor. The overall public sector fiscal balance over-performed the program target as the balance of public bodies remained in surplus. NIR and net domestic assets (NDA) also over-performed program targets. Jamaica has outstanding arrears to Iraq which can be deemed away under the policy on arrears to official bilateral creditors, as the underlying Paris Club agreement is adequately representative and the authorities are making best efforts to resolve the arrears.

Program Monitoring—Quantitative Performance Criteria Under the Extended Arrangement Under the EFF 1/2/
(In billions of Jamaican dollars)

	12th Review PC End-June 2016	Adjusted PCs End-June 2016	End-June 2016 Actual	Difference	PC Status End-June 2016
Fiscal targets					
1. Primary balance of the central government (floor) 3/	11.0		26.8	15.8	Met
2. Tax Revenues (floor) 3/9/	99.0		108.3	9.3	Met
3. Overall balance of the public sector (floor) 3/	-29.0	-31.9	-6.2	25.7	Met
4. Central government direct debt (ceiling) 3/4/	19.5		-3.6	-23.1	Met
5. Central government guaranteed debt (ceiling) 3/	0.0		-0.9	-0.9	Met
6. 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		-1.9	-1.9	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/	4.8		7.6	2.8	Met
Monetary targets					
10. Cumulative change in net international reserves (floor) 7/10/	-199.6	-186.4	285.6	472.0	Met
11. Cumulative change in net domestic assets (ceiling) 10/	28.7	27.1	-20.9	-48.0	Met

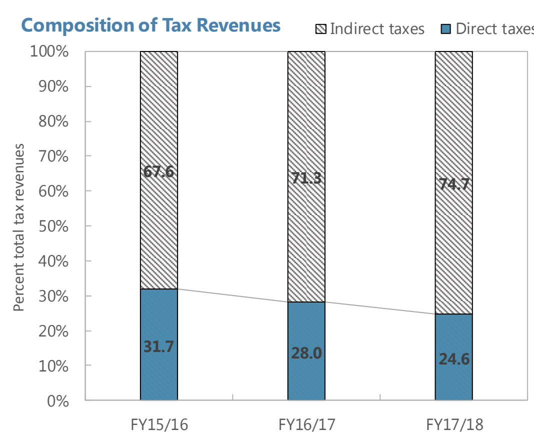
1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Based on program exchange rates defined in the June 2015 TMU.
3/ Cumulative flows from April 1.
4/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
5/ Includes debt payments, supplies and 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 2014.
11/ Continuous performance criterion.
12/ Measured as the change in the stock of arrears relative to the stock at end-March 2016.

9. **Structural reforms are steadily moving ahead (Box 3).** The structural benchmark on submitting to cabinet a new policy on public bodies was met. Upon finalization of the new policy, work will begin to categorize the 196 public bodies into a classification which is better aligned with PFM rules, enhancing accountability and financial management. Progress has also been made in tax administration, public financial management, public sector transformation, and further improving financial stability.

RESHAPING FISCAL POLICIES TO SUPPORT GROWTH

A. Improving Taxation Efficiency

10. **The government's tax package announced in May 2016 aims to rebalance from direct taxes to more efficient and growth-friendly indirect taxes.** A two-phased transition was announced to increase the personal income tax (PIT) exemption threshold from J$592,000 to J$1.5 million, while ensuring revenue neutrality and maintaining the government's 7 percent of GDP primary surplus target.

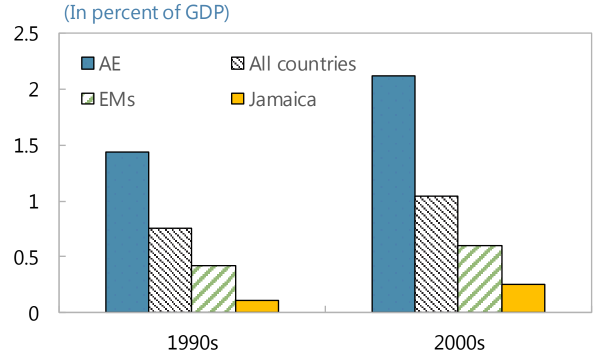


- Phase I of the reform was completed on July 1 with the increase in the PIT exemption threshold to J$1 million and an increase in the marginal rate on earnings above J$6 million to 30 percent. Offsetting measures were implemented in May, totaling 1 percent of GDP annually, and included higher excises on fuel and cigarettes, and a higher departure tax.

- Phase II of the PIT reform, should focus on progressive and high quality measures so as to minimize the adverse impact on the low income households as the rebalancing to indirect taxes continues.

11. **There is scope to strengthen the property tax system and phase-out the distortionary stamp duty and asset transfer tax.** The annual property tax yielded on average about 0.4 percent of GDP over the last three years, well below the average yield of 0.8 percent in other emerging markets. The authorities are examining how to strengthen property taxes, which are shown to be more progressive and efficient. In this regard, new and recalibrated property tax rates and bands will be submitted to cabinet by end-December 2016 (*new structural benchmark end-December 2016)*. The higher yields from property taxes could provide room to replace the more distortionary stamp duty and transfer tax.

Property Tax Yields
(In percent of GDP)

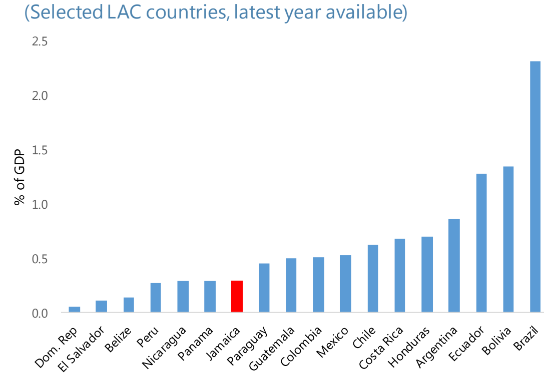


Sources: Ministry of Finance and Fund Staff calculations.

B. Strengthening the Social Safety Net

12. **Fortifying the social safety net is imperative.** Strengthening PATH—the government's main social program entailing conditional cash transfers—and its coverage are urgent particularly as the ongoing tax reform to rebalance from direct to indirect taxes is cemented. More generally, with one-fifth of Jamaica's population currently living in poverty, the program needs a significant boost. Expenditures on PATH total about 0.3 percent of GDP—relatively low in the region. While the program targets the population groups where its impact is greatest (pregnant and lactating women, children, disabled adults, and the elderly), both the coverage and the level of PATH benefits should be increased. For instance, in the bottom decile, only 58 percent live in a household that receives PATH benefits. Coverage is especially weak among the disabled; only 10 percent of them in the bottom decile are PATH recipients. For families receiving benefits, those levels are also low—less than 5 percent of household expenditures in the bottom decile. Authorities are examining the scope for increasing the level of benefits in the short run, and putting in place a medium-term plan for improving coverage and lower self-exclusion.

Expenditures on Social Cash Transfers
(Selected LAC countries, latest year available)



C. Transforming the Public Sector to Support Growth

13. **Public spending needs to be rebalanced from the public sector wage bill toward outlays that are more supportive of growth and private sector job creation.** The authorities have

amended the fiscal responsibility law to require the wage-to-GDP ratio to fall to 9 percent by end FY18/19. To support this effort:

- Work is underway to strengthen personnel information and control systems.
- A clear medium-term wage policy is being developed, drawing on the ongoing compensation and allowances reviews to ensure adequate controls, transparency and predictability in public sector pay and to guide the next round of wage negotiations.
- A new human resources software (HCMES) is being rolled out, with IDB support, to the first 14 MDAs.
- A detailed plan will be submitted to Cabinet by end-September with clear options for significantly reducing the number of public bodies (through outsourcing, merging, abolishment, or divestment), and enhancing the efficiency and accountability of those remaining.

14. **Reforming the public pension system is essential to improve its fairness and sustainability.** The draft public sector pension reform law, broadly based on a World Bank study, was re-tabled in Parliament in July; implementation is expected in April 2017. The main reform elements include:

- A gradual increase in the retirement age from 60 to 65,
- A 5 percent mandatory contribution,
- Benefits based on the average salary of the last 5 years (rather than just the last salary),
- A less generous benefit commutation option (to discourage lump-sum withdrawals), and
- A reduction in the benefits accrual rate from 2.2 percent to 1.8 percent.

These reform elements are critical to improve fiscal sustainability and should be maintained in the pension reform that is implemented in April 2017. If implemented as proposed, together with the supporting regulations, the new law could yield annual fiscal savings of 0.5 percent of GDP in the medium to long term.

D. Other Structural Fiscal Reforms

15. **Maintaining reform momentum in tax and customs administrations is essential for securing a sustainable revenue base.**

- The conversion of the Tax Administration of Jamaica into a Semi-Autonomous Revenue Authority is nearly concluded, which will help safeguard the agency's independence and increase its efficiency. Efforts are ongoing to strengthen managerial capacity through training while the implementation of the transfer pricing strategy (developed with the IMF expert's support) will help further safeguard the tax base and enhance fairness (MEFP ¶7).

- With the World Bank's support, Phase III of the Customs Act is expected to be tabled in parliament by end-March 2017. This will simplify documentation requirements at customs, focus on a risk-based assessment of taxpayers, and strengthen post-clearance audit. Regulations to safeguard revenues from Special Economic Zones, including enforcement of strict eligibility criteria, bonded warehouse controls and strict sanctions against tax evasion, should be passed without further delay.

16. **Advancing Public Financial Management (PFM) reforms will enable the government's financial operations.**

- To enhance PFM, all central government revenues will be paid into the Consolidated Fund (CF), with only minimal retention periods in revenue transit accounts, by March 2017.

- Approval of the new organizational structure of the Accountant General's department (AGD) is key to enhancing its capacity and will be concluded by end-September (MEFP ¶9). To enhance the capacity, a Training Needs Assessment to identify priorities and develop a training program will be finalized by end-January 2017 (*new structural benchmark end-January 2017)*.

STRENGTHENING MONETARY OPERATIONS

17. **The recent loosening of the monetary policy stance is consistent with the weaker inflationary prospects.** The slight uptick in inflation in May and June, and the upward path of oil prices, suggest the need to assess the impact of the recent policy rate cuts and the outlook for inflation before additional cuts could be considered.

18. **Work is underway to strengthen the BoJ's operational toolkit**. This includes:

- Putting in place necessary medium-term inflation forecasting and policy analysis tools, including up-to-date modeling techniques to improve forecast performance and better understand the monetary and fiscal transmission mechanisms in the economy.

- Refining the monetary policy signaling and liquidity provision framework by (i) transitioning the BoJ's policy rate to an overnight rate (MEFP ¶20), (ii) gradually narrowing the interest rate corridor, and (iii) using fixed-volume auctions for sterilization operations.

19. **Steps should be taken to counter rising dollarization (Box 4).** The authorities' efforts to de-dollarize the economy should be founded on sustained macroeconomic stability and policy credibility. Consideration should be given to measures that foster the attractiveness of local currency assets, including (i) improving liquidity management in J$ instruments, (ii) increasing the share of local currency-denominated public debt (see ¶23), (iii) developing currency and interest rate hedging instruments, (iv) reconfiguring minimum reserve framework to remove the wedge between J$ and FX deposits , and (v) putting in place prudential regulations aimed at ensuring proper management of FX risks, such as limits on FX net open positions.

20. **International reserves remain somewhat below recommended prudential needs.** Reserves are expected to reach around 85 percent of the IMF's reserve adequacy (ARA) metric by end-2016, still below the recommended range of 100-150 percent. Moreover, a substantial share of the reserves accumulation was driven by international bond and central bank US$ CD issuances. The BoJ should continue to steadily purchase FX from the market and limit FX sales to periods of high currency market volatility, while maintaining a market-determined and flexible exchange rate. To further develop the FX market and promote price discovery, the BoJ is working (with the help of IMF TA) on introducing a standard multiple price-auction mechanism for FX sales and purchases with the goal of eventually phasing out FX surrender requirements and using market-based auctions for FX sales and purchases.

ENTRENCHING FINANCIAL SECTOR RESILIENCE

21. **Financial sector reforms should ensure its resilience and inclusion.** The next phase of financial sector reforms should include improvements in several areas:

- Revising the BoJ Act to improve governance and autonomy, by ensuring transparency, accountability, and BoJ's full independence (MEFP ¶17) and establishing the Financial System Stability Committee to assess/advise on financial stability issues.
- Improving financial inclusion and consumer protection, including the issuance of a code of conduct on consumer-related matters, tabling agent banking regulations in Parliament, and establishing depositor protections for credit unions (MEFP ¶15).
- Strengthening the regulatory and supervisory regime, including (i) establishing a regulatory regime for financial holding companies and consolidated supervision, and (ii) implementing a risk-based supervision framework of insurance companies and securities dealers (based on past IMF TA recommendations).
- Further enhancing a crisis resolution framework for the financial sector, including clearly defined roles and responsibilities for different agencies in the resolution process (MEFP ¶16). A draft concept paper has been prepared and a consultation paper is expected to be finalized by October, supported by IMF TA.

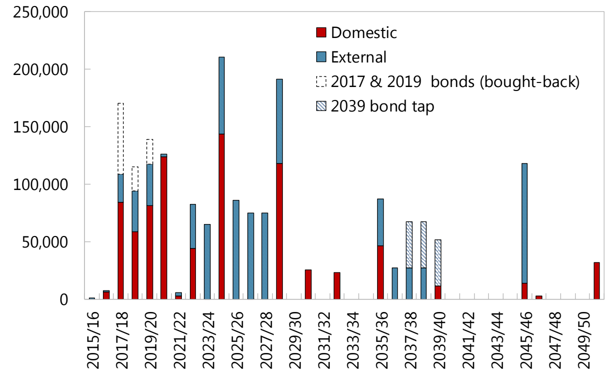
22. **The next phase of retail repo reforms is to strengthen capital and prudential requirements on the industry.** The Financial Services Commission (FSC) is developing prudential requirements that include an operational risk-weighted capital adequacy requirement for securities dealers (adopted in April 2016), submission of stress test results by December 2016, and minimum leverage (defined as regulatory capital divided by total retail repo obligations) and liquidity ratios which should be introduced by April 2017 (MEFP ¶15). Stricter limits on single counterparty exposure and restrictions on early withdrawals from retail repo instruments will also be instituted by 2019. These reforms are key to ensuring that the retail repo industry does not represent a systemic risk.

23. **With large bond redemptions looming, a liquid domestic debt market is essential to reduce refinancing risk and reverse the recent dollarization of public liabilities.**

- To address the refinancing risk stemming from the large external bond redemptions in FY 2017/18, the GoJ proactively conducted a successful liability management operation in August. It reopened its 2039 global bond for an amount of US$743 million to partially buyback the 2017 and 2019 bonds, at a historically low yield of 6.75 percent. With this buyback, the government was able to reduce the 2017 amortization amount for the external bond by over three-quarters.

Redemption Profile of Bonds

(August 2016, in J$ million)



- Such active liability management is a welcome step to minimize rollover risk and reduce the bunching of maturities. The government should also develop a systematic and comprehensive strategy, in consultation with all relevant stakeholders, for such liability management. Further external bond issuance to prefund some of the maturing bonds in FY 2017/18 is a possibility, especially if the domestic market cannot absorb the major domestic bond roll-over, and if efforts to attract non-residents to local currency bond markets take time to bear fruit.

- To minimize the refinancing risk and reduce dollarization of the government's debt portfolio (Box 4), a concerted effort should be made to (i) upgrade the primary dealer system by introducing formal primary dealer commitments and privileges in GOJ bonds, so as to incentivize market-making, (ii) switch to an auction-based mechanism for primary issuances, (iii) expand the issuance of Treasury bills to anchor the yield, provide an accurate benchmark rate for other debt instruments,, and allow for more active cash management, (iv) consider steps to attract nonresidents to the local currency bond market, particularly to long-term bonds (v) undertake additional liability management operations (buybacks, prefunding, exchanges) of both external and domestic bonds to smooth out the amortization profile, minimize refinancing risk, and enhance liquidity in benchmark instruments. To address the latter, the authorities have requested IMF training on modelling the impact of various liability management operations on the cost and risk of government's debt portfolio.

- Careful coordination between MOF and BoJ is critical to avoid competition between debt and monetary policy objectives and to benefit from certain complementarities. Although following the successful unfreezing of the domestic bond market in February 2016, some secondary market trading has returned, it has not yet reached pre-NDX levels. Maintaining steady presence in the domestic market, including through developing and implementing regular GOJ debt issues in the short end of the yield curve, would help reduce segmentation in the money market, and improve monetary transmission mechanism.

ACHIEVING HIGHER GROWTH

24. **A credible and focused growth strategy with time-bound targets is essential in light of limited capacity.** The recently-established Economic Growth Council (EGC)—with representatives from the public and private sectors—is expected to unveil its proposals in September for key areas where high yield reforms could take place (MEFP ¶22). Reduction in crime and violence, better access to credit, efficient use of government resources, and the potential creation of a diaspora fund are possible reform areas. While some of these areas overlap with ongoing reforms, it is important that the EGC play a catalytic and organizational role to prioritize goals, increase accountability, and monitor timely implementation.

25. **Progress should be accelerated to lower the cost of doing business and support investment**:

- *Sustainably lowering energy costs*. The Bogue power plant's switch from oil to LNG is expected to be completed in September. This is an important first step in the diversification of the energy matrix (where electricity generation was nearly 97 percent reliant on heavy fuel oil) in lowering energy costs, reducing Jamaica's exposure to oil price fluctuations, and helping the country attain its emission goals. Completion of the 190 MW gas-powered plant in Old Harbour and ongoing investing in renewable sources of energy (notably wind and solar) will further aid in rebalancing away from oil (MEFP ¶25).

- *Improving financial access*. Given the high market concentration of the banking sector in Jamaica (where two banks hold more than 80 percent of total assets), a thorough assessment should be conducted on the adequacy of competition in the banking sector. A financial inclusion council should be created without further delay in order to implement the financial inclusion strategy (MEFP ¶23). Accelerating the current program to improve land titling would also help promote credit access to people with no other collateral. Initiatives to help SME finance, including development of agency banking services, mobile money products, and factoring and leasing should also be pursued.

- *Cutting red tape*. Streamlining government approvals and reducing "gatekeeping" (e.g. expediting the development approval process and simplifying new business registration) should help improve the efficiency of public service provision. Reforms should be accelerated in the context of broader public sector modernization.

- *Divesting government functions*. The divestment of the Kingston Container Terminal and the Petroleum Company of Jamaica (PETCOM) are important steps to enhance efficiency and rationalize the role of the public sector in the economy. Momentum should be maintained, especially in key divestments (e.g. the privatization of the Norman Manley International Airport, MEFP ¶24).

PROGRAM ISSUES

26. **The following new structural benchmarks are proposed**:

- Complete and submit to Cabinet the new rates and bands for property taxes using the 2013 land valuations by end-December 2016 (*new structural benchmark end-December 2016)*
- The AGD to conduct a Training Needs Assessment by end-January 2017 to identify priorities and develop a medium term training program (*new structural benchmark end-January 2017)*

27. **Safeguards assessment.** The last assessment of the BoJ in 2013 found relatively strong safeguards at the BoJ. Since then, audited financial statements continue to be published annually with unqualified (clean) audit opinions. The assessment recommended strengthening the BoJ Act to address shortcomings in the legal provisions on governance and autonomy, and the authorities intend to submit proposed amendments to Cabinet in September 2016 (MEFP ¶17).

28. **The program remains fully financed and staff considers Jamaica's capacity to repay the Fund to be adequate (Table 10).** Prospects for repayment will continue to depend on the timely and strong implementation of the government's reform program. External multilateral financing for the fiscal year has evolved broadly in line with earlier program assumptions. Debt service to the Fund and the purchase profile remain unchanged in the absence of significant revisions to the macroeconomic outlook. While risks to the program remain high (see ¶7), recent economic confidence indicators are at historical highs, the macroeconomic environment remains favorable (with inflation at historical lows and relatively low current account deficit) and tourism and FDI flows show strong performance. Continued implementation of the reform program will ensure macroeconomic stability and provide support for private sector-led growth.

Public Borrowing Program
(In US$ million)

	2015/16	2016/17	2017/18
Financing Needs	3176	1496	1248
Uses of debt financing			
Budget financing [1/]	3176	1496	1248
Financing Sources			
Short-Term	168	280	235
Medium/Long-Term	2928	1166	963
Deposits drawdown	80	50	50

[1/] For 2015/16, values include US$1500 financing for the PetroCaribe debt buyback.

STAFF APPRAISAL

29. **Program implementation remains exemplary.** As the program enters its fourth year, the authorities' commitment to the program remains commendable. All quantitative conditions have been met and structural reforms are progressing broadly on schedule.

30. **There are signs of improving growth prospects.** Domestic confidence indicators are at an all-time high, and there are improving signs of economic activity, including a sustained agricultural

recovery, strong performance in tourism and manufacturing, and increased FDI inflow. Inflation remains at historical lows, public debt is on a firm downward path, and the external balance continues to improve. Nevertheless, growth remains modest, and poverty and unemployment high. Higher growth dividends, more job creation, and improved living standards will be essential maintain social support for the reform agenda.

31. **A more efficient tax system and public sector reform are paramount for fiscal sustainability.** The rebalancing from direct to indirect taxes provides an opportunity to improve compliance, distribute the burden of taxation more progressively, and increase incentives for production and effort. At the same time, concrete measures to lower the public wage bill, including divestment and outsourcing of public services, and improving public sector efficiency and accountability will be vital to shift public resource allocation to areas where the need is highest.

32. **Safeguarding capital spending is essential for employment and job-creation.** Investments to improve infrastructure, support SMEs and reduce electricity costs must continue without delay. Given the back-loaded revenue profile, contingency measures (both on the revenue and expenditure sides) to safeguard the fiscal targets should be quickly identified to protect capital and social spending later in the year. Assessing banking sector competition, improving land titling, and developing mobile money and agency banking services will help understand and alleviate constraints to financial inclusion and investment.

33. **Inclusive and equitable growth will hinge on enhancing the framework for social protection.** Beyond the short-term need to review the adequacy of PATH benefit levels, a well-designed medium-term plan to enhance Jamaica's social protection framework is needed to ensure that the ongoing and planned shift to indirect taxation will not harm the most vulnerable. The plan should aim to improve the program's targeting efficiency, coverage, and seek to evaluate PATH's effectiveness at promoting human capital development.

34. **Monetary policy should remain anchored on price stability while maintaining a flexible exchange rate.** Given the recent inflation uptick and the prospect of higher oil prices, in addition to recent policy rate cuts that have not fully translated to lower lending rates, further rate cuts should be deferred until there is greater clarity on the prospects for inflation and inflation expectations. Efforts should concentrate on improving the monetary transmission mechanism. The BoJ should continue gradual purchases of FX from the market while confining FX sales to countering excessive exchange rate volatility.

35. **Financial sector and retail repo reforms should continue.** The implementation of the Financial System Stability Committee will improve coordination and assessment of financial stability issues, while revising the BoJ Act will bring improved governance and autonomy. Progress on the crisis resolution framework should proceed without delay. Planning and execution of the prudential tightening phase of retail repo reforms should begin swiftly given their criticality to minimize systemic risks and ensuring healthy balance sheets. All outstanding issues, such as ensuring that all retail repo clients sign the Master Retail Repo Agreements should be promptly resolved.

36. **While significant risks to the program remain, authorities' commitment to reforms has sustained confidence and stability.** The government's continued commitment to the program and efforts at reform implementation have helped bolster stability and confidence. Therefore, staff supports the authorities' request for completion of the thirteenth review of the arrangement under the Extended Fund Facility.

Box 1. Pass-Through of Domestic Fuel Prices to Inflation

An Historical Perspective

In May of this year, the Government of Jamaica increased the Special Consumption Tax (SCT) on petroleum by 7$/liter and introduced a new taxation regime for heavy fuel, as part of the revenue measures to finance Phase I of the PIT reform that raised the PIT threshold from about J$0.6 to J$1 million. To gauge the direct inflationary impact of this shift from direct to indirect taxation, we estimate the historical pass-through of domestic fuel prices to consumer price inflation (CPI), as well as on the CPI sub-components that are likely predominant in the consumption basket of the poor: transport, "electricity, gas and other fuels", and food—domestic fuel prices embed any changes in the SCT on fuel, given that PetroJam, the local oil refinery, passes any increase in fuel SCT to its customers, as a mere collector of that tax.

Separate estimations were done for aggregate inflation and for each of the above CPI sub-components. To purge the effect of concomitant swings in global oil prices, the international price of oil (WTI) is included as a control variable. Other controls were exchange rate depreciation, and for food, the international price of grains and rainfall were proxies for supply-side factors. We also account for inflation inertia. The model does not include a measure of real economic activity, due to the lack of monthly data on such variables. The main findings, broadly consistent with expectations, are:

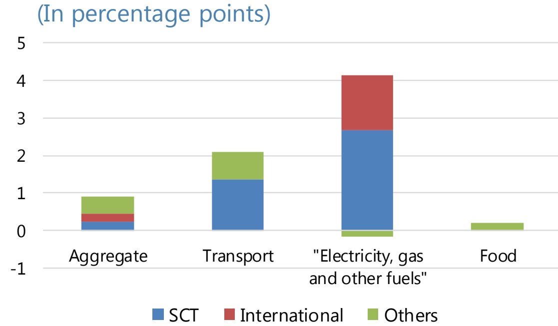
- The pass-through from domestic fuel prices onto transport prices is significant, occurs with a one-month lag, and estimated at about 0.2. The pass-through of domestic fuel prices onto the price of "electricity, gas, and other fuels" is stronger, at about 0.35. There is no evidence of a first-round effect on food prices.
- The impact of domestic fuel price on aggregate inflation, however, is limited, reflecting the relatively low weight in the CPI basket of those sub-components that heavily rely on fuel as input—the combined weight of transport and "electricity gas and other fuel" is less than a quarter.

SCT Increase and Recent Inflation Developments

Data suggest that the relatively benign impact of fuel price increase on aggregate inflation may mask important disparities across its sub-components. For instance, monthly inflation data show a spike in the "electricity, gas and other fuel" sub-component of the CPI basket in June 2016 compared to the headline and median inflation. We disentangle the estimated pass-through of the May SCT increase on aggregate inflation and select sub-components using the above estimates and the increase in global oil prices. The text chart suggests that the increase in June inflation partly reflected the increase in international oil prices after the SCT increase. The evidence is particularly striking for the "electricity, gas and other fuel" sub-component of the CPI basket—more than one-third of the 4 percent inflation recorded in June was due to the higher international oil prices. The decomposition also suggests that the SCT increase contributed significantly to the inflation of the "electricity, gas, and other fuels" and transport sub-components. It is worth noting, however, that about 75 percent of prices in the broad transport category are administered bus fares that did not move following the SCT increase.

Contributions to Inflation in June 2016

(In percentage points)



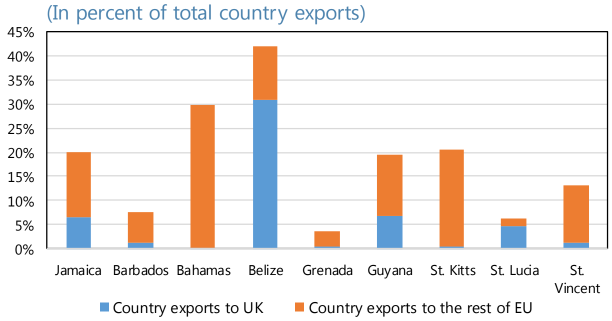
Box 2. Potential Spillovers from Brexit to Jamaica

The immediate economic fallout from Brexit is likely to be limited, although the indirect impact may be felt over the medium term and operate through the following channels:

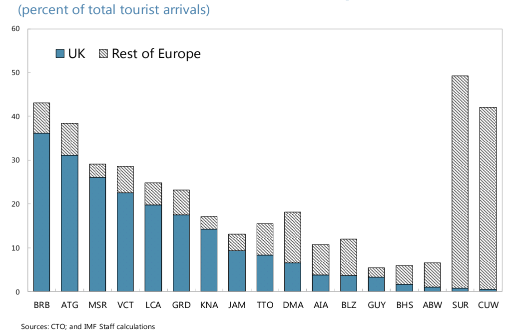
- **Trade in goods and services:** Deceleration of growth in the UK and the EU and weakening of the pound and the Euro, may weaken the demand for Jamaica's exports to the region. Moreover, trade may be negatively impacted by having to renegotiate the existing trade deals. As the share of British tourists in total arrivals is rather small, Brexit is unlikely to have a major impact on Jamaica's tourism and growth. Furthermore, unlike some of its Caribbean peers with pegged currency regimes, Jamaica could use the exchange rate flexibility to absorb part of the shock.

- **Remittances and Aid:** While Jamaica relies on remittances more than any of its Caribbean neighbors, the share from the UK is relatively small. Moreover, remittances generally tend to be more stable than other external inflows, making a substantial decline unlikely even if UK's growth prospects deteriorate. However, to the extent that remittances, and other non-debt generating inflows (e.g., grants), fall, Jamaica will be pressed to potentially borrow more to close the financing gap.

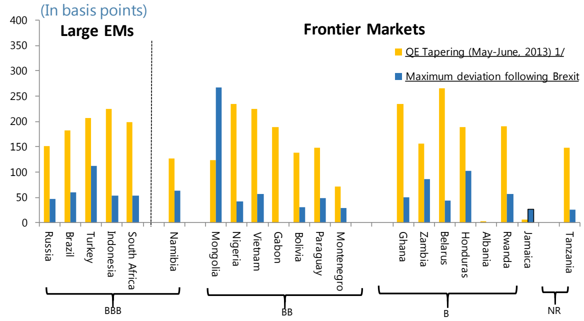
Caribbean Countries: Exports to the UK and the EU
(In percent of total country exports)



Tourist Arrivals from the UK and Europe, 2015
(percent of total tourist arrivals)

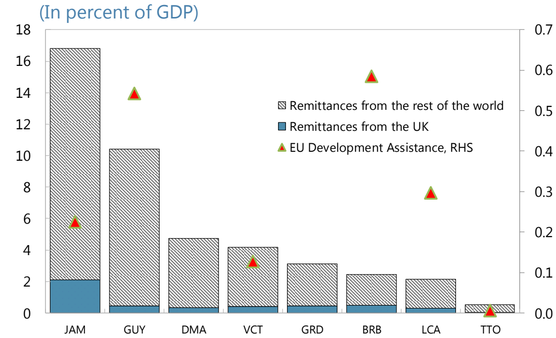


Recent Bond Market Sell-Offs
(In basis points)



Source: Bloomberg and Fund staff calculations.
1/ Refers to the distressed period driven by Bernanke's speech about tapering.

Remittances Recieved and Development Assistance, 2015
(In percent of GDP)



Sources: World Bank and Fund Staff calculations.

- **Financial and Debt Markets:** Jamaica's financial markets are relatively isolated and illiquid. This protects them from global shocks as investors first rush to sell most liquid assets in times of stress. In recent sell-offs (Brexit and May-June 2013 "taper tantrum"), Jamaican global bonds have shown greater resilience than other EM and frontier market countries. If the anticipated global risks from materialize, then the resulting low growth will likely keep international interest rates relatively low. This may be actually help marginally lower Jamaica's borrowing and debt service costs of the existing debt stock, as about a third of its external debt is linked to the Libor rate.

Box 3. Structural Reform Progress at End-June 2016

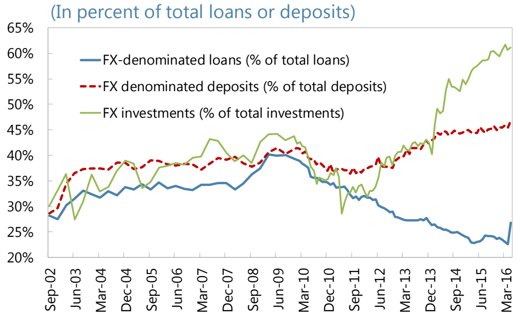
The following reform measures have been completed since the last review.

- Completed interim testing on linking of Enterprise Content Management (ECM) system processes to RAiS case actioning and reporting components.
- An electronic tendering system was implemented in HEART Trust, PAJ, and OPM.
- Completed an updated inventory of all bank accounts of the public sector.
- Completed the configuration of the human resources software system (the HCMES system).
- Submitted to Cabinet for approval a new policy on public bodies that will ensure consistent PFM rules for public bodies (*structural benchmark for end-June 2016*).
- Started issuing comprehensive prudential guidelines for securities dealers in June 2016.

Box 4. Dollarization in Jamaica

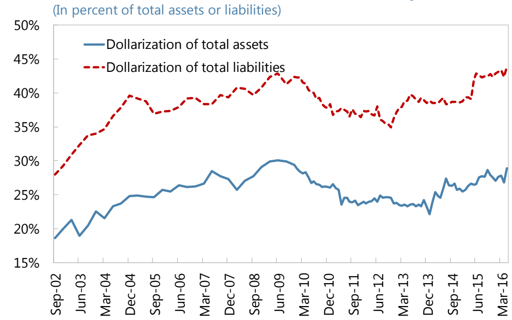
Deposit dollarization has increased in the financial system and public balance sheets. The 2013 crisis—when domestic bonds were restructured, reserves declined, and the nominal exchange rate depreciated—weakened public trust in J$ deposits and bonds and raised the attractiveness of FX-denominated assets. By June 2016, with more than 45 percent of deposits denominated in US$, Jamaica's deposit dollarization is one of the highest in the region, accompanied by dollarization of investment portfolios too. Likewise, the three-year-long freeze of the domestic bond market, which resulted in greater reliance on external capital markets resulted in higher dollarization of public debt.

Financial System's Dollarization in Jamaica
(In percent of total loans or deposits)



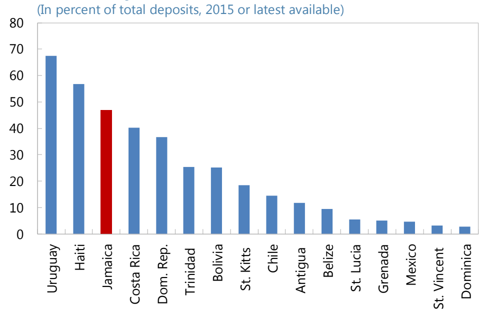
Sources: Bank of Jamaica and Fund staff calculations.

Financial Sector Dollarization and Currency Mismatch
(In percent of total assets or liabilities)



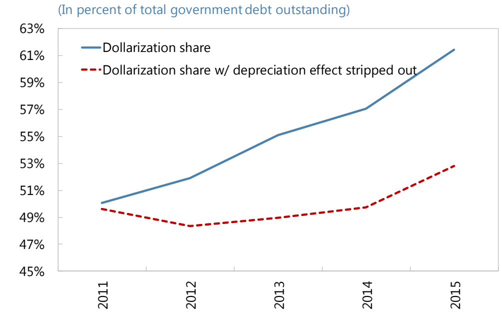
Sources: Bank of Jamaica and Fund staff calculations.

Financial System's Dollarization in Jamaica
(In percent of total deposits, 2015 or latest available)



Sources: Fund staff calculations.

Dollarization of Government Debt
(In percent of total government debt outstanding)



Sources: Ministry of Finance and Planning and Fund staff calculations.

High dollarization has economic costs. It reduces the effectiveness of monetary policy, constrains central bank capacity to act as a lender of last resort, exacerbates the "fear of floating", makes greater exchange rate flexibility costly, and could potentially fuel liquidity and currency mismatch risks in the financial system. While latest FX and liquidity stress tests by the BOJ suggest continued resilience of the DTIs and SDs to these shocks, careful monitoring of the dollarization trend and its risks is essential.

A mix of macroeconomic and macroprudential policies is needed for de-dollarization. Efforts to further develop the domestic debt market which, combined with macroeconomic stability, should help gradually de-dollarize public balance sheets. Greater exchange rate flexibility, with two-way movements instead of one-way bets on the tightly managed exchange rate, has been shown to encourage de-dollarization (e.g., Bolivia, Peru, Paraguay, and Uruguay have de-dollarized, inter alia, by adopting inflation targeting and hence greater exchange rate flexibility). Macroprudential measures have helped a number of countries de-dollarize, including with higher loan provisioning and capital requirements on FX loans, higher reserve requirements for FX deposits, and setting limits on net open FX positions. The BOJ is also evaluating if the current risk management framework is adequate. IMF TA also recommends revising the reserve requirement framework to remove the incentives of DTIs to build FX liabilities and increase their demand for J$.

Table 1. Jamaica: Selected Economic Indicators 1/

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

Per capita GDP (2014): US$4967
Literacy rate (2011)/Poverty rate (2012): 86.4%/19.9%
Unemployment rate (Apr. 2016): 13.7%

	Prog.			Prel.	Prog.	Projections					
	2013/14	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
(Annual percent change, unless otherwise indicated)											
GDP and prices											
Real GDP	0.9	1.0	0.2	1.0	1.7	1.7	2.1	2.5	2.7	2.8	2.8
Nominal GDP	10.6	9.2	7.5	7.5	5.4	4.7	7.4	7.8	7.9	7.9	7.9
Consumer price index (end of period)	9.5	8.3	4.0	3.0	5.3	5.2	5.2	5.1	5.0	5.0	4.9
Consumer price index (average)	9.6	9.4	7.2	3.4	3.6	3.0	5.2	5.2	5.1	5.0	5.0
Exchange rate (end of period, J$/US$)	...	109.6	115.0	122.0	...	...	...	...	...	...	...
Exchange rate (average, J$/US$)	...	103.9	113.1	118.8	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	...	10.8	5.0	6.1	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	...	-4.7	7.4	-2.4	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	...	-3.5	-0.2	-2.4	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	...	9.1	7.0	5.8	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	8.0	7.9	7.8	6.3	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	...	13.4	14.2	13.7	...	...	...	...	...	...	...
(In percent of GDP)											
Government operations											
Budgetary revenue	26.9	27.1	26.2	27.0	28.2	27.4	26.6	26.4	26.3	26.2	26.3
Of which: Tax revenue 4/	23.9	23.6	23.6	24.5	26.1	25.3	25.1	24.9	24.8	24.8	24.9
Budgetary expenditure	26.9	27.0	26.7	27.3	29.1	28.0	26.3	25.8	25.2	24.8	24.5
Primary expenditure	19.4	19.5	18.7	19.8	21.2	20.4	19.6	19.4	19.3	19.2	19.3
Of which: Wage bill	10.6	10.7	10.1	10.0	10.3	10.0	9.9	9.5	9.1	9.0	9.0
Interest payments	7.5	7.5	8.0	7.4	7.9	7.6	6.7	6.4	5.9	5.5	5.3
Budget balance	0.1	0.1	-0.5	-0.3	-0.9	-0.6	0.3	0.6	1.1	1.5	1.7
Of which: Central government primary balance	7.5	7.6	7.5	7.1	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Public entities balance	-0.5	0.0	0.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-0.4	0.1	0.4	1.6	-0.9	-0.6	0.3	0.6	1.1	1.5	1.7
Public debt 5/	138.9	140.4	136.6	120.3	127.6	119.7	113.0	105.5	97.6	90.0	84.1
External sector											
Current account balance	-9.6	-8.7	-7.3	-2.2	-2.6	-3.1	-3.2	-3.4	-3.4	-3.4	-3.5
Of which: Exports of goods, f.o.b.	11.8	10.6	10.1	8.4	8.8	8.5	8.3	8.1	7.9	7.7	7.5
Imports of goods, f.o.b.	38.7	37.5	36.3	30.4	32.2	32.3	32.4	31.9	31.1	30.2	29.5
Net international reserves (US$ millions)	1,248	1,304	2,294	2,416	2,956	2,887	3,057	3,223	3,308	3,598	3,746
(Changes in percent of beginning of period broad money)											
Money and credit											
Net foreign assets	6.4	18.7	27.9	10.0	16.4	14.7	5.8	5.4	3.4	7.5	4.3
Net domestic assets	4.2	-12.6	-22.3	8.7	-7.8	-2.1	0.9	1.0	2.7	0.1	0.6
Of which: Credit to the private sector	10.1	8.2	3.1	8.2	8.7	10.6	12.3	9.6	10.6	11.0	13.6
Credit to the central government	3.8	-3.1	-15.2	5.5	2.0	2.0	0.3	-0.2	-1.1	-3.2	-5.4
Broad money	10.6	6.1	5.7	18.7	8.6	12.7	6.7	6.4	6.2	7.6	4.8
Memorandum item:											
Nominal GDP (J$ billions) 6/	1,478	1,462	1,572	1,690	1,718	1,770	1,901	2,049	2,211	2,387	2,575

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 GCT to government purchases, with projected total yield of 0.2 percent of GDP at the time of the sixth review. and updated projected total yield of 0.1 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.
6/ Deviations of nominal GDP in FY15/16 from 12th review are due to a higher than expected GDP deflator. This level shift affected the entire medium term path.

Table 2. Jamaica: Summary of Central Government Operations

(In millions of Jamaican dollars)

			Prel.	Prog.	Projections					
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budgetary revenue and grants	396,982	411,716	455,836	484,434	484,743	505,234	540,266	581,364	626,256	676,224
Tax	344,848	370,878	413,971	447,978	448,287	476,647	510,458	547,474	591,494	640,533
Of which:										
Income and profits	112,648	120,854	130,760	124,448	124,632	116,199	126,597	137,220	148,914	161,958
Of which: Other companies	35,155	35,903	42,282	46,446	46,164	51,072	56,696	63,024	70,069	77,864
PAYE	62,811	67,818	71,966	61,424	61,424	49,699	52,286	54,396	58,381	62,986
Production and consumption	115,214	120,421	133,557	141,265	141,299	158,485	169,049	181,384	198,650	217,833
Of which: GCT (Local) 1/	61,265	63,995	72,745	76,656	76,942	83,643	89,248	96,318	107,085	118,998
International Trade	113,892	127,238	144,706	176,464	176,573	195,394	207,691	221,173	235,633	251,825
Of which: GCT (Imports) 1/	51,238	58,471	65,806	77,344	77,603	86,019	93,638	102,067	111,273	121,251
Non-tax 2/	41,705	35,821	36,401	31,207	31,207	21,962	24,889	28,700	29,160	29,647
Grants	10,429	5,018	5,463	5,249	5,249	6,625	4,918	5,190	5,602	6,044
Budgetary expenditure	395,242	419,491	460,720	499,844	495,614	499,593	528,868	557,527	591,162	631,505
Primary expenditure	285,322	294,474	335,040	364,861	361,548	372,151	396,830	426,564	459,166	495,953
Wage and salaries 3/	156,362	158,759	168,787	176,341	176,341	187,576	195,385	202,258	215,994	233,033
Base wage	143,347	151,056	163,515	172,881	172,881	187,576	195,385	202,258	215,994	233,033
Backpay 3/	13,015	7,702	5,272	3,460	3,460	0	0	0	0	0
Programme expenditure	91,972	112,697	133,506	144,572	141,259	132,292	143,047	155,753	166,788	180,510
Employer Contributions 4/	…	…	…	4,800	4,800	5,208	5,425	5,616	5,997	6,470
Capital expenditure	36,989	23,019	32,747	43,947	43,947	52,283	58,399	68,554	76,384	82,410
Interest	109,919	125,016	125,680	134,984	134,066	127,442	132,038	130,963	131,996	135,553
Domestic	68,729	75,756	71,391	62,355	63,476	60,191	57,056	55,619	55,880	58,591
External	41,191	49,260	54,288	72,628	70,590	67,251	74,982	75,344	76,115	76,961
Budget balance	1,740	-7,775	-4,884	-15,410	-10,871	5,641	11,397	23,836	35,094	44,719
Of which: Primary budget balance	111,659	117,242	120,796	119,573	123,195	133,083	143,435	154,799	167,090	180,271
Public entities balance	106	13,749	31,199	0	0	0	0	0	0	0
Public sector balance	1,846	5,975	26,315	-15,410	-10,871	5,641	11,397	23,836	35,094	44,719
Principal repayments	105,196	85,283	372,307	72,500	175,585	166,803	136,884	165,055	217,342	125,157
Domestic	77,695	25,285	275,426	15,223	27,151	98,173	78,103	105,014	169,009	37,684
External	27,501	59,999	96,881	57,278	148,434	68,630	58,781	60,041	48,333	87,473
Gross financing needs	103,456	93,058	377,191	87,911	186,457	161,162	125,487	141,218	182,247	80,439
Gross financing sources	103,456	93,058	377,191	87,911	186,457	161,162	125,487	141,218	182,247	80,439
Domestic	52,211	42,306	99,960	46,923	42,020	50,397	62,250	75,974	129,577	41,999
Of which : compensatory flows from PCDF	…	…	5,938	14,454	14,431	14,951	15,362	15,744	16,145	16,559
External	57,619	116,944	267,766	39,740	138,206	104,310	56,604	58,446	45,699	81,339
Of which: Official	57,619	40,059	30,231	39,740	36,243	31,760	36,083	38,613	40,384	43,017
Divestment + deposit drawdown	-6,374	-66,193	9,466	1,248	6,231	6,455	6,633	6,798	6,971	-42,900
Memorandum items:										
Nominal GDP (billion J$) 5/	1,462	1,572	1,690	1,718	1,770	1,901	2,049	2,211	2,387	2,575
Public sector debt (billion J$)	2,053	2,147	2,033	2,192	2,118	2,149	2,163	2,159	2,149	2,167
Of which: Direct debt 6/	1,811	1,909	1,938	2,028	2,014	2,031	2,031	2,012	1,986	1,989

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ in 2014/15, reflects the extension of the GCT to government purchases, with projected total yield of J$3.1 billion at the time of the sixth review and updated to a projected yield of J$1.4 billion.
2/ From 2015/16, includes interest receipts from the PetroCaribe Development Fund to reimburse funds from the PetroCaribe debt buyback.
3/ Includes wage arrears from reclassification adjustments prior to 2014/15.
4/ From FY16/17 onwards, authorities have reclassified employer's contributions for health services into the wages line, consistent with GFS. Program definition remains unchanged.
5/ Deviations of nominal GDP in FY15/16 from 12th review are due to a higher than expected GDP deflator. This level shift affected the entire medium term path.
6/ Discrepancies between the direct debt and targets in table 10 are due to the use of program exchange rate to convert US$ debt in the latter.

Table 3. Jamaica: Summary of Central Government Operations

(In percent of GDP)

	2013/14	2014/15	Prel. 2015/16	Prog. 2016/17	Projections 2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budgetary revenue and grants	27.1	26.2	27.0	28.2	27.4	26.6	26.4	26.3	26.2	26.3
Tax	23.6	23.6	24.5	26.1	25.3	25.1	24.9	24.8	24.8	24.9
Of which:										
Income and profits	7.7	7.7	7.7	7.2	7.0	6.1	6.2	6.2	6.2	6.3
Of which: Other companies	2.4	2.3	2.5	2.7	2.6	2.7	2.8	2.8	2.9	3.0
PAYE	4.3	4.3	4.3	3.6	3.5	2.6	2.6	2.5	2.4	2.4
Production and consumption	7.9	7.7	7.9	8.2	8.0	8.3	8.3	8.2	8.3	8.5
Of which: GCT (Local) 1/	4.2	4.1	4.3	4.5	4.3	4.4	4.4	4.4	4.5	4.6
International Trade	7.8	8.1	8.6	10.3	10.0	10.3	10.1	10.0	9.9	9.8
Of which: GCT (Imports) 1/	3.5	3.7	3.9	4.5	4.4	4.5	4.6	4.6	4.7	4.7
Non-tax 2/	2.9	2.3	2.2	1.8	1.8	1.2	1.2	1.3	1.2	1.2
Grants	0.7	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Budgetary expenditure	27.0	26.7	27.3	29.1	28.0	26.3	25.8	25.2	24.8	24.5
Primary expenditure	19.5	18.7	19.8	21.2	20.4	19.6	19.4	19.3	19.2	19.3
Wage and salaries 3/	10.7	10.1	10.0	10.3	10.0	9.9	9.5	9.1	9.0	9.0
Base wage	9.8	9.6	9.7	10.1	9.8	9.9	9.5	9.1	9.0	9.0
Backpay 3/	0.9	0.5	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Programme expenditure	6.3	7.2	7.9	8.4	8.0	7.0	7.0	7.0	7.0	7.0
Employer Contributions 4/	...	...	...	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Capital expenditure	2.5	1.5	1.9	2.6	2.5	2.8	2.9	3.1	3.2	3.2
Interest	7.5	8.0	7.4	7.9	7.6	6.7	6.4	5.9	5.5	5.3
Domestic	4.7	4.8	4.2	3.6	3.6	3.2	2.8	2.5	2.3	2.3
External	2.8	3.1	3.2	4.2	4.0	3.5	3.7	3.4	3.2	3.0
Budget balance	0.1	-0.5	-0.3	-0.9	-0.6	0.3	0.6	1.1	1.5	1.7
Of which: Primary budget balance	7.6	7.5	7.1	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Public entities balance	0.0	0.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	0.1	0.4	1.6	-0.9	-0.6	0.3	0.6	1.1	1.5	1.7
Principal repayments	7.2	5.4	22.0	4.2	9.9	8.8	6.7	7.5	9.1	4.9
Domestic	5.3	1.6	16.3	0.9	1.5	5.2	3.8	4.7	7.1	1.5
External	1.9	3.8	5.7	3.3	8.4	3.6	2.9	2.7	2.0	3.4
Gross financing needs	7.1	5.9	22.3	5.1	10.5	8.5	6.1	6.4	7.6	3.1
Gross financing sources	7.1	5.9	22.3	5.1	10.5	8.5	6.1	6.4	7.6	3.1
Domestic	3.6	2.7	5.9	2.7	2.4	2.7	3.0	3.4	5.4	1.6
Of which : compensatory flows from PCDF	...	...	0.4	0.8	0.8	0.8	0.7	0.7	0.7	0.6
External	3.9	7.4	15.8	2.3	7.8	5.5	2.8	2.6	1.9	3.2
Of which: Official	3.9	2.5	1.8	2.3	2.0	1.7	1.8	1.7	1.7	1.7
Divestment + deposit drawdown	-0.4	-4.2	0.6	0.1	0.4	0.3	0.3	0.3	0.3	-1.7
Memorandum items:										
Nominal GDP (billion J$) 5/	1,462	1,572	1,690	1,718	1,770	1,901	2,049	2,211	2,387	2,575
Public sector debt (billion J$)	2,053	2,147	2,033	2,192	2,118	2,149	2,163	2,159	2,149	2,167
Public sector debt	140.4	136.6	120.3	127.6	119.7	113.0	105.5	97.6	90.0	84.1
Of which: Direct debt 6/	123.9	121.5	114.6	118.0	113.8	106.8	99.1	91.0	83.2	77.2

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ in 2014/15, reflects the extension of the GCT to government purchases, with projected total yield of 0.2 percent of GDP at the time of the sixth review and updated to 0.1 percent of GDP.

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

3/ Includes wage arrears from reclassification adjustments prior to 2014/15.

4/ From FY16/17 onwards, authorities have reclassified employer's contributions for health services into the wages line, consistent with GFS. Program definition remains unchanged.

5/ Deviations of nominal GDP in FY15/16 from 12th review are due to a higher than expected GDP deflator. This level shift affected the entire medium term path.

6/ Discrepancies between the direct debt and targets in table 10 are due to the use of program exchange rate to convert US$ debt in the latter.

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	2015/16	2016/17	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Operating balance selected public entities 1/	**55.2**	**60.6**	**16.6**	**36.5**	**55.4**	**56.4**	**4.4**	**4.5**	**1.1**	**2.3**	**3.3**	**3.2**
Of which:												
Clarendon Aluminum	-7.2	-1.1	-10.1	-2.8	-0.8	...	-0.6	-0.1	-0.7	-0.2	0.0	...
Petrojam	25.1	15.5	14.7	12.9	24.4	...	2.0	1.2	1.0	0.8	1.4	...
NROCC	-0.6	-3.3	-2.8	-5.7	-3.9	...	0.0	-0.2	-0.2	-0.4	-0.2	...
Urban Development Corporation	-0.8	-0.4	0.6	0.3	-0.1	...	-0.1	0.0	0.0	0.0	0.0	...
National Water Commission	4.0	8.0	0.8	3.5	5.3	...	0.3	0.6	0.1	0.2	0.3	...
Port Authority of Jamaica	2.9	3.7	3.8	5.5	4.9	...	0.2	0.3	0.3	0.4	0.3	...
National Housing Trust	26.9	29.6	4.3	18.9	18.7	...	2.1	2.2	0.3	1.2	1.1	...
National Insurance Fund	1.7	4.8	1.4	1.7	2.3	...	0.1	0.4	0.1	0.1	0.1	...
Net current transfers from the central government	**-11.8**	**-15.2**	**-19.1**	**-22.6**	**-29.2**	**-33.1**	**-0.9**	**-1.1**	**-1.3**	**-1.4**	**-1.7**	**-1.9**
Of which:												
Clarendon Aluminum	7.5	3.4	1.7	0.0	0.0	...	0.6	0.3	0.1	0.0	0.0	...
Petrojam	-19.2	-21.3	-18.8	-23.2	-24.0	...	-1.5	-1.6	-1.3	-1.5	-1.4	...
NROCC	0.2	3.0	3.4	5.2	4.3	...	0.0	0.2	0.2	0.3	0.3	...
Urban Development Corporation	0.7	0.1	0.3	0.5	0.2	...	0.1	0.0	0.0	0.0	0.0	...
National Water Commission	0.0	1.0	0.7	0.1	0.0	...	0.0	0.1	0.0	0.0	0.0	...
Port Authority of Jamaica	0.0	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	...
National Housing Trust	-1.2	-4.0	-11.4	-11.4	-11.4	...	-0.1	-0.3	-0.8	-0.7	-0.7	...
National Insurance Fund	0.0	0.0	0.0	0.0	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**	**39.3**	**31.4**	**51.7**	**3.1**	**3.1**	**2.7**	**2.5**	**1.9**	**2.9**
Of which:												
Clarendon Aluminum	-0.2	1.5	0.4	0.7	1.0	...	0.0	0.1	0.0	0.0	0.1	...
Petrojam	2.6	0.2	1.5	1.9	1.6	...	0.2	0.0	0.1	0.1	0.1	...
NROCC	0.6	0.3	0.4	0.7	0.8	...	0.1	0.0	0.0	0.0	0.0	...
Urban Development Corporation	0.7	0.2	1.8	0.7	0.3	...	0.1	0.0	0.1	0.0	0.0	...
National Water Commission	4.5	9.7	6.0	6.4	5.8	...	0.4	0.7	0.4	0.4	0.3	...
Port Authority of Jamaica	2.1	0.8	0.5	1.3	0.6	...	0.2	0.1	0.0	0.1	0.0	...
National Housing Trust	25.5	23.2	22.3	20.8	18.2	...	2.0	1.7	1.5	1.3	1.1	...
National Insurance Fund	0.1	0.0	0.0	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	...
Other net spending selected public entities 3/	0.0	0.0	-27.9	-20.7	-21.3	-16.6	0.0	0.0	-1.9	-1.3	-1.3	-0.9
Overall balance selected public entities	**3.9**	**3.7**	**-14.2**	**-4.7**	**16.0**	**-11.8**	**0.3**	**0.3**	**-1.0**	**-0.3**	**0.9**	**-0.7**
Of which:												
Clarendon Aluminum	0.5	0.8	-8.5	-4.0	-0.9	...	0.0	0.1	-0.6	-0.3	-0.1	...
Petrojam	3.3	-5.9	-5.0	-4.8	5.0	...	0.3	-0.4	-0.3	-0.3	0.3	...
NROCC	-1.0	-0.5	0.1	-1.2	0.1	...	-0.1	0.0	0.0	-0.1	0.0	...
Urban Development Corporation	-0.8	-0.5	0.6	-0.3	-1.1	...	-0.1	0.0	0.0	0.0	-0.1	...
National Water Commission	-0.5	-0.7	-4.5	-2.8	-0.7	...	0.0	-0.1	-0.3	-0.2	0.0	...
Port Authority of Jamaica	0.8	3.0	3.7	4.1	4.1	...	0.1	0.2	0.3	0.3	0.2	...
National Housing Trust	0.2	2.4	-4.7	0.1	4.0	...	0.0	0.2	-0.3	0.0	0.2	...
National Insurance Fund	1.6	4.7	1.4	1.7	2.3	...	0.1	0.4	0.1	0.1	0.1	...
Overall balance other public entities	**-4.1**	**-1.8**	**14.3**	**18.5**	**15.2**	**11.8**	**-0.3**	**-0.1**	**1.0**	**1.2**	**0.9**	**0.7**
Overall balance public entities	**-0.2**	**1.9**	**0.1**	**13.7**	**31.2**	**0.0**	**0.0**	**0.1**	**0.0**	**0.9**	**1.8**	**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)

				Prog.			Projections			
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Current account	-1,231	-1,018	-307	-351	-445	-474	-518	-548	-586	-627
Trade balance	-3,778	-3,647	-3,122	-3,223	-3,385	-3,542	-3,671	-3,778	-3,861	-3,976
Exports (f.o.b.)	1,495	1,401	1,202	1,212	1,206	1,224	1,250	1,281	1,313	1,343
Imports (f.o.b.)	5,274	5,047	4,324	4,436	4,591	4,767	4,921	5,059	5,174	5,320
Fuel (cif)	2,158	1,759	1,061	778	974	1,126	1,206	1,279	1,347	1,402
Exceptional imports (including FDI-related)	322	294	470	400	400	330	300	300	300	300
Other	2,794	2,995	2,793	3,258	3,217	3,311	3,415	3,480	3,527	3,617
Services (net)	669	790	980	863	1,018	1,075	1,120	1,170	1,230	1,276
Transportation	-702	-635	-566	-709	-635	-645	-660	-674	-685	-703
Travel	1,915	2,105	2,211	2,377	2,266	2,332	2,398	2,467	2,537	2,611
Of which: Tourism receipts	2,096	2,314	2,451	2,594	2,512	2,586	2,664	2,744	2,826	2,912
Other services	-544	-680	-665	-806	-612	-612	-618	-623	-622	-631
Income (net) 4/	-318	-391	-493	-393	-483	-476	-490	-492	-537	-540
Current transfers (net)	2,197	2,229	2,328	2,403	2,404	2,469	2,523	2,553	2,583	2,613
Government (net)	204	150	182	209	186	190	194	198	202	206
Private (net)	1,993	2,079	2,146	2,195	2,218	2,279	2,329	2,355	2,381	2,407
Capital and financial account	1,649	2,008	326	881	930	644	684	633	876	776
Capital account (net)	-26	-19	1,430	-19	-19	-19	-19	-19	-19	-19
Financial account (net) 1/	1,675	2,027	-1,104	900	948	662	703	652	894	794
Direct investment (net)	507	578	880	678	714	662	660	658	656	654
Central government (net) 5/	241	600	1,611	-141	-82	276	-16	-12	81	57
Of which: IFIs	376	181	231	325	233	225	0	0	0	0
Other official (net) 2/ 5/	356	78	-2,851	140	11	-23	-46	-73	-54	-40
Of which: PetroCaribe	369	161	-2,890	99	-50	-50	-74	-98	0	0
Portfolio investment (net)	571	772	-744	222	305	-253	105	78	211	123
Overall balance	418	990	20	530	485	170	166	85	290	148
Financing	-418	-990	-20	-530	-485	-170	-166	-85	-290	-148
Change in gross reserves (- increase)	-330	-846	0	-689	-699	-153	-98	20	-160	7
Change in arrears	0	0	0	0	0	0	0	0	0	1
Financing gap	-88	-144	-20	159	215	-17	-68	-105	-130	-155
IMF 3/	-26	-163	80	159	215	-17	-68	-105	-130	-155
Disbursements	346	259	129	159	215	0	0	0	0	0
Repayments	-372	-422	-48	0	0	-17	-68	-105	-130	-155
Memorandum items:										
Gross international reserves	2,049	2,894	2,894	3,607	3,593	3,746	3,844	3,824	3,983	3,976
(in weeks of prospective imports of GNFS)	14.4	20.7	23.2	27.7	27.5	27.8	27.7	26.8	27.3	26.5
Net international reserves	1,304	2,294	2,416	2,956	2,887	3,057	3,223	3,308	3,598	3,746
Current account (percent of GDP)	-8.7	-7.3	-2.2	-2.6	-3.1	-3.2	-3.4	-3.4	-3.4	-3.5
Exports of goods (percent change)	-14.2	-6.3	-14.2	-1.2	0.3	1.5	2.1	2.5	2.5	2.3
Imports of goods (percent change)	-7.3	-4.3	-14.3	2.3	6.2	3.8	3.2	2.8	2.3	2.8
Oil prices (composite, fiscal year basis)	102.1	84.9	48.7	36.3	44.1	50.1	52.8	55.0	56.8	58.0
Tourism receipts (percent change)	2.0	10.4	5.9	8.3	2.5	3.0	3.0	3.0	3.0	3.0
GDP (US$ millions) 6/	14,080	13,902	14,231	…	…	…	…	…	…	…
Jamaican dollar/USD, period average	104	113	119	…	…	…	…	…	…	…

Sources: Jamaican authorities and Fund staff estimates.

1/ Includes estimates of a partial payment for the sales of a rum company in 2008/09.
2/ Includes the new general SDR allocation in 2009/10.
3/ Negative indicates repayment to the IMF.
4/ Starting FY2011/12, interest payments to non-residents were adjusted to reflect resident holdings of GOJ global bonds.
5/ in 2015/16, projections reflect inflows and outflows associated with the Petrocaribe debt buyback.
6/ Deviations of nominal GDP in FY15/16 from 12th review are due to a higher than expected GDP deflator. This level shift affected the entire medium term path.

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

				Prog.	Projections					
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
				(In billions of Jamaican dollars)						
End-of-period stocks 1/										
Net foreign assets	**143**	**264**	**294**	**377**	**367**	**401**	**433**	**455**	**508**	**542**
Net domestic assets	**-48**	**-163**	**-174**	**-246**	**-231**	**-250**	**-270**	**-282**	**-322**	**-347**
Net claims on public sector	195	112	45	115	120	102	119	120	130	83
Net claims on central government	75	17	40	41	46	52	59	66	73	30
Net claims on rest of public sector	130	102	-5	75	75	57	66	62	64	63
Operating losses of the BOJ	-10	-8	10	-1	-1	-8	-6	-7	-7	-10
Net credit to commercial banks	-21	-24	-28	-22	-22	-23	-25	-26	-28	-30
Of which : foreign prudential reserve	-21	-24	-28	-22	-22	-23	-25	-26	-28	-30
Net credit to other financial institutions	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3
Open market operations	-31	-39	-58	-189	-181	-167	-190	-190	-224	-186
Other items net (incl. valuation adj.)	-189	-210	-130	-148	-146	-159	-171	-183	-197	-212
Of which: Valuation adjustment	-61	-70	-75	-92	-91	-104	-115	-128	-142	-156
Base money	**94**	**101**	**120**	**131**	**136**	**150**	**163**	**173**	**186**	**195**
Currency in circulation	54	59	70	63	66	70	74	77	81	85
Liabilities to commercial banks	41	42	50	68	70	80	89	96	105	110
Fiscal year flows 1/										
Net foreign assets	**55.4**	**121.0**	**30.4**	**83.0**	**73.0**	**33.3**	**32.2**	**22.4**	**52.8**	**34.3**
Net domestic assets	-52.3	-114.4	-11.4	-71.9	-57.0	-18.9	-19.8	-12.4	-39.7	-25.3
Net claims on public sector	-17.7	-82.6	-66.9	70.0	75.1	-17.9	16.7	1.4	9.7	-47.0
Net claims on central government	-7.4	-57.4	22.5	1.2	6.2	6.5	6.6	6.8	7.0	-42.9
Net credit to commercial banks	-1.5	-2.5	-4.6	6.9	6.6	-1.3	-1.6	-1.5	-2.1	-1.4
Net credit to other financial institutions	0.0	-0.1	-0.6	0.0	0.0	-0.2	-0.1	-0.1	-0.1	-0.2
Open market operations	23.8	-8.3	-19.1	-131.5	-122.8	13.5	-23.1	0.2	-33.4	37.7
Other items net (incl. valuation adj.)	-56.9	-20.8	79.8	-17.4	-15.9	-13.0	-11.6	-12.3	-13.8	-14.5
Base money	**3.1**	**6.7**	**18.9**	**11.1**	**16.0**	**14.5**	**12.5**	**10.1**	**13.1**	**9.0**
Currency in circulation	3.0	4.9	11.7	-7.2	-4.8	4.9	3.4	3.6	3.8	4.0
Liabilities to commercial banks	0.2	1.7	7.2	18.3	20.8	9.6	9.1	6.4	9.3	5.0
			(Change in percent of beginning-of-period Base Money)							
Net foreign assets	**60.7**	**128.2**	**30.0**	**69.2**	**60.8**	**24.5**	**21.4**	**13.8**	**30.5**	**18.4**
Net domestic assets	**-57.3**	**-121.1**	**-11.3**	**-59.9**	**-47.5**	**-13.9**	**-13.1**	**-7.6**	**-22.9**	**-13.6**
Net claims on public sector	-19.4	-87.4	-66.2	58.4	62.6	-13.2	11.1	0.8	5.6	-25.2
Net credit to commercial banks	-1.7	-2.6	-4.5	5.8	5.5	-0.9	-1.1	-1.0	-1.2	-0.8
Net credit to other financial institutions	0.1	-0.1	-0.6	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Open market operations	26.0	-8.8	-18.9	-109.6	-102.3	9.9	-15.3	0.1	-19.3	20.3
Other items net (incl. valuation adj.)	-62.3	-22.1	78.9	-14.5	-13.3	-9.6	-7.7	-7.5	-8.0	-7.8
Base money	**3.4**	**7.0**	**18.7**	**9.2**	**13.3**	**10.6**	**8.3**	**6.2**	**7.6**	**4.8**
Currency in circulation	3.3	5.2	11.6	-6.0	-4.0	3.6	2.2	2.2	2.2	2.1
Liabilities to commercial banks	0.2	1.8	7.2	15.2	17.3	7.1	6.1	3.9	5.4	2.7
Memorandum items:										
Change in net claims on the central government (percent of GDP)	-0.5	-3.7	1.3	0.1	0.4	0.3	0.3	0.3	0.3	-1.7
Net international reserves (US$ millions)	1,304	2,294	2,416	2,956	2,887	3,057	3,223	3,308	3,598	3,746

Sources: Bank of Jamaica and Fund staff estimates.

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

Table 7. Jamaica: Summary Monetary Survey 1/

				Prog.	Projections					
	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
				(In billions of Jamaican dollars)						
End-of-period stocks 1/										
Net foreign assets	**191**	**309**	**353**	**439**	**431**	**465.0**	**499.2**	**522.4**	**576.3**	**609.2**
Net domestic assets	**229**	**136**	**174**	**133**	**163**	**168.7**	**174.8**	**193.2**	**193.7**	**198.2**
Net claims on public sector	268	188	118	203	203	178.3	181.8	162.3	134.6	88.7
Of which: Central government 2/	173	109	134	145	144	146.1	144.8	137.1	114.2	72.4
Open market operations	18	14	15	-139	-121	-148.5	-191.8	-209.3	-242.8	-279.2
Credit to private sector	326	339	376	422	432	505.4	566.5	637.8	716.7	821.4
Of which: Foreign currency	84	77	84	88	88	91.4	95.1	99.9	106.1	113.6
Other	-383	-407	-335	-352	-351	-366.5	-381.7	-397.6	-414.8	-432.8
Of which: Valuation adjustment	-61	-70	-75	-89	-87	-97.6	-106.6	-115.9	-126.3	-137.2
Liabilities to private sector (M3)	**421**	**444**	**527**	**573**	**594**	**633.7**	**674.0**	**715.7**	**770.0**	**807.3**
Money supply (M2)	261	273	310	333	351	376.5	398.6	423.0	454.5	476.2
Foreign currency deposits	160	171	217	239	243	257.3	275.5	292.7	315.5	331.1
Fiscal year flows 1/										
Net foreign assets	**74.1**	**117.4**	**44.3**	**86.4**	**77.6**	**34.5**	**34.2**	**23.2**	**53.9**	**32.8**
Net domestic assets	**-50.0**	**-93.6**	**38.6**	**-41.0**	**-10.9**	**5.3**	**6.1**	**18.4**	**0.5**	**4.5**
Net claims on public sector	-25.4	-79.5	-70.5	85.5	85.6	-25.1	3.5	-19.5	-27.7	-45.9
Of which: Central government	-12.4	-63.9	24.3	10.8	10.7	1.7	-1.3	-7.7	-22.9	-41.8
Open market operations	54.4	-3.8	0.7	-154.6	-136.6	-27.0	-43.3	-17.5	-33.4	-36.4
Credit to private sector	32.3	13.2	36.5	45.7	56.1	73.3	61.1	71.3	78.9	104.7
Of which: Foreign currency	2.4	-7.3	7.7	3.8	3.6	3.6	3.7	4.8	6.2	7.6
Other 2/	-111.3	-23.5	72.0	-17.7	-16.0	-15.9	-15.2	-15.9	-17.2	-18.0
Of which: Valuation adjustment	-3.9	-8.9	-5.4	-13.8	-12.5	-10.2	-9.0	-9.3	-10.4	-10.9
Liabilities to private sector (M3)	**24.1**	**23.8**	**82.9**	**45.4**	**66.7**	**39.8**	**40.3**	**41.6**	**54.3**	**37.3**
Money supply (M2)	8.4	12.7	37.2	22.8	40.4	25.6	22.1	24.4	31.5	21.7
Foreign currency deposits	15.7	11.1	45.7	22.6	26.3	14.2	18.2	17.2	22.8	15.6
				(Change in percent of beginning-of-period M3)						
Net foreign assets	**18.7**	**27.9**	**10.0**	**16.4**	**14.7**	**5.8**	**5.4**	**3.4**	**7.5**	**4.3**
Net domestic assets	**-12.6**	**-22.3**	**8.7**	**-7.8**	**-2.1**	**0.9**	**1.0**	**2.7**	**0.1**	**0.6**
Net claims on public sector	-6.4	-18.9	-15.9	16.2	16.2	-4.2	0.6	-2.9	-3.9	-6.0
Of which: Central government	-3.1	-15.2	5.5	2.0	2.0	0.3	-0.2	-1.1	-3.2	-5.4
Open market operations	13.7	-0.9	0.2	-29.3	-25.9	-4.5	-6.8	-2.6	-4.7	-4.7
Credit to private sector	8.2	3.1	8.2	8.7	10.6	12.3	9.6	10.6	11.0	13.6
Of which: Foreign currency	0.6	-1.7	1.7	0.7	0.7	0.6	0.6	0.7	0.9	1.0
Other 2/	-28.1	-5.6	16.2	-3.4	-3.0	-2.7	-2.4	-2.4	-2.4	-2.3
Of which: Valuation adjustment	-1.0	-2.1	-1.2	-2.6	-2.4	-1.7	-1.4	-1.4	-1.5	-1.4
Liabilities to private sector (M3)	**6.1**	**5.7**	**18.7**	**8.6**	**12.7**	**6.7**	**6.4**	**6.2**	**7.6**	**4.8**
Memorandum items:										
M3/monetary base	4.5	4.4	4.4	4.4	4.4	4.2	4.1	4.1	4.1	4.1
M3 velocity	3.5	3.5	3.2	3.0	3.0	3.0	3.0	3.1	3.1	3.2

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

1/ Fiscal year runs from April 1 to March 31.
2/ Includes net credit to nonbank financial institutions, capital accounts, valuation adjustment, securities sold under repurchase agreements and net unclassified assets.

Table 8. Jamaica: Financial Sector Indicators 1/

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016Q2
Balance sheet growth (y/y)										
Capital	11.5	14.7	13.8	5.1	5.4	4.2	17.1	6.6	8.5	11.9
Loans	28.7	24.2	5.3	-1.4	4.8	12.9	14.1	6.6	9.4	19.9
NPLs	14.2	57.6	68.0	36.1	44.0	-10.8	-12.9	-2.2	-11.6	-4.1
Liquidity										
Excess liquidity	25.0	30.3	31.3	36.2	30.5	26.7	25.3	31.5	26.5	24.8
Asset Quality										
Prov. for loan losses/NPLs	103.4	87.2	75.7	69.9	75.2	90.3	95.7	104.7	106.7	111.5
NPLs/loans	2.3	2.9	4.7	6.5	8.9	7.0	5.4	4.9	4.1	3.5
Capital Adequacy										
NPLs/Capital+Prov. for loan losses	9.1	12.3	17.7	22.3	28.4	24.1	18.8	17.1	14.6	13.3
Capital Adequacy Ratio (CAR)	16.0	15.2	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.5
Profitability (calendar year) 2/										
Pre-tax profit margin	26.7	26.2	21.4	21.1	30.8	21.4	19.0	18.9	19.9	0.0
Return on average assets	3.4	3.5	2.9	2.5	3.9	2.4	2.0	2.1	2.1	0.0

Source: Bank of Jamaica.

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

Table 9. Jamaica: 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 Alumina 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	Met
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	Met
9. Government to table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25, Country Report No. 14/169).	November 30, 2015	Met
10. Government to establish a new Cash Management Unit in the Accountant General Department (AGD) and transfer to it the cash management function currently handled by the Fiscal Policy Management Unit (FPMU).	September 30, 2015	Met
11. Put in place a full-time dedicated project management team for the implementation of the human resources software system (including specialists in the areas of Business Process Mapping, Human Resource Management, Payroll Administration and Data Migration).	January 31, 2016	Met
12. Develop and submit to Cabinet for approval a new policy on public bodies that will ensure consistent PFM rules for public bodies.	June 30, 2016	Met
13. Submit to Cabinet an action plan for public sector transformation by end-September 2016. In particular, it will include detailed timelines for (1) the introduction of shared corporate services for communications and human resource management and (2) the merger, abolition and/or divestment/privatization of entities. The plan will also outline specific areas where efficiency gains can be made.	September 30 2016	
14. The Corporate Management Development (CMD) branch in the Ministry of Finance and Public Service to approve a new organizational structure for the Accountant General's Department.	September 30 2016	
15. Complete a two-part island-wide pilot to build a comprehensive database on all allowances paid to public employees in the Ministries of Finance, Health, Security, and Education.The database will be by occupational grouping and will include all types of allowances paid, their amounts as well as the number of employees that benefit from each type of allowance in a given fiscal year.	November 30, 2016	
16. Verify each government employee's work post and eligibility for allowances in a two-part pilot across the Ministry of Finance, the civilian population of the Ministry of Security, and the NIS, and non-teaching personnel in the Ministry of Education.	November 30, 2016	
17. The AGD to conduct a Training Needs Assessment to identify priorities and develop a medium term training program.	January 31, 2017	Proposed
Tax Reform		
18. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
19. 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
20. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
21. 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	Not met 1/
22. Government to table legislation governing the tax regime that will be part of the SEZ legislation consistent with the criteria listed in the June 2015 MEFP par. 13 to help safeguard the integrity of the tax system and avoid tax leakage.	October 31, 2015	Met
23. Conclude all work on the calculation of new rates and bands for property taxes, consistent with the 2013 valuations, and submitting them to Cabinet for approval.	December 31, 2016	Proposed
Tax Administration		
24. 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
25. Government to implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	Met
26. Government to: (i) increase the number of staff in the large taxpayers office (LTO) by a further 30 auditors (from March 2014 to March 2015); (ii) increase the number of (full plus issue) audits completed in the 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; (iv) write-off all GCT and SCT debts that have been subjected to risk-rated stress tests and consequently categorized as uncollectible according to the Regulations.	March 31, 2015	Not met 2/

Table 9. Jamaica: Structural Program Conditionality (Concluded)

Measures	Status/Timing	
27. Government to complete pilot testing of ASYCUDA World (covering imports and exports) in the Kingston port.	May 31, 2015	Met
28. Government to implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	Met
29. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	Met
30. Government to fully implement the key performance indicators, as outlined in the National Compliance Plan, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	Met
31. Government to implement Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types.	December 31, 2015	Met
32. Increase the capacity of the Post-Clearance Audit (PCA) unit in the JCA through the hiring of 15 more auditors.	March 31, 2016	Met
Financial sector		
33. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
34. 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
35. 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	Met
36. Government to table the Omnibus Banking Law [3/] consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 4/
37. Government to finalize the transition of retail repos to the trust-based framework.	August 30, 2015	Met
38. Government to fully implement the Banking Services Act.	September 30, 2015	Met
39. The BOJ to have overall responsibility for financial stability.	November 1, 2015	Met
40. Draft a consultation paper for the resolution framework for the entire financial sector, including proposals on (i) the scope, roles and responsibilities, and powers of institutions that would be covered by the resolution regime; and (ii) the legal structure of the regime (i.e., administrative, court-based, or a combination).	October 31, 2016	
Growth enhancing structural reforms		
41. Government to implement a new (AMANDA) tracking system to track approval of contruction permits across all parish councils.	December 30, 2014	Met
42. Government to table in parliament the Electricity Act.	January 31, 2015	Met

1/ The review was reportedly completed in March 2015.
2/ While all other elements of the benchmarks were met, technical difficulties prevented the achievement of 95 percent take-up rate of e-filing in the LTO. The take-up rate was 80 percent.
3/ Currently referred to as the Banking Services Act.
4/ The law was tabled in March 2014 with subsequent fine-tuning in collaboration with Fund staff prior to its adoption in June.

Table 10. Jamaica: Quantitative Performance Criteria 1/2/3/

(In billions of Jamaican dollars)

	2016					2017
	End-June			End-Sept	End-Dec.	End-Mar.
	PC	Adjusted PC	Actual	PC	PC	Indicative Targets
Fiscal targets						
1. Primary balance of the central government (floor) 4/	11.0		26.8	29.0	54.0	122.1
2. Tax Revenues (floor) 4/9/	99.0		108.3	198.0	300.0	440.0
3. Overall balance of the public sector (floor) 4/	-29.0	-31.9	-6.2	-41.0	-51.5	-17.2
4. Central government direct debt (ceiling) 4/5/	19.5		-3.6	45.0	55.0	61.0
5. Central government guaranteed debt (ceiling) 4/	0.0		-0.9	0.0	0.0	0.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	0.0		-0.1	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/	0.0		-1.9	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
9. Social spending (floor) 9/10/	4.8		7.6	9.7	16.4	24.3
Monetary targets						
10. Cumulative change in net international reserves (floor) 8/11/	-199.6	-186.4	285.6	-49.6	52.3	152.3
11. Cumulative change in net domestic assets (ceiling) 11/	28.7	27.1	-20.9	9.0	21.9	-2.0

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 2015 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 2014.
12/ Continuous performance criterion.
13/ The accumulation is measured against the stock at end-March 2016, which is J$21.0 billion for domestic arrears and J$17.3 billion for tax arrears.

Table 11. Jamaica: Indicators of Fund Credit, 2016-27

(In millions of SDRs, unless otherwise specified)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prospective drawings (4-year EFF)	113.28	28.33	...	...	...	...	...	...	...	...	...	...
(in percent of quota)	41.42	10.36	...	...	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings)												
Amortization	0.00	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76	18.88	2.36
Amortization (SBA)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortization (4-year EFF)	0.00	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76	18.88	2.36
Interest and service charges	1.71	6.45	6.26	5.79	5.07	4.15	3.09	2.01	1.14	0.53	0.17	0.01
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	1.72	17.90	43.42	70.65	88.81	104.41	105.71	93.23	66.65	38.34	19.10	2.42
(in percent of exports of G&S)	0.06	0.59	1.39	2.19	2.67	3.05						
(in percent of GDP)	0.02	0.18	0.42	0.65	0.77	0.86	0.83	0.70	0.48	0.26	0.13	0.02
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings)												
Outstanding stock	587.05	603.98	566.88	502.08	418.39	318.19	215.63	124.46	59.00	21.24	2.36	0.00
(in percent of quota)	214.64	220.83	207.27	183.58	152.98	116.34	78.84	45.51	21.57	7.77	0.86	0.00
(in percent of GDP)	6.16	6.12	5.47	4.60	3.64	2.63	1.70	0.94	0.42	0.15	0.02	0.00
Memorandum items:												
Exports of goods and services (US$ millions)	4,419.07	4,538.34	4,669.91	4,809.26	4,953.21	5,098.98	...	...	...	...	...	
US$/SDR exchange rate	...	...	...	...	...	...	...	...	...	...	...	
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: Fund staff estimates.

1/ Jamaica's old quota of SDR 273.50 million is included in the table since Jamaica chose to be grandfathered for surcharges (old quota/old policy on surcharges). Jamaica's new quota is SDR 382.9 million.

Table 12. Jamaica: Schedule of Reviews and Purchases

Availability Date	Amount of Purchase: Millions of SDR	Amount of Purchase: Percent of New Quota	Conditions 1/
	Purchases		
May 1, 2013	136.75	36	Approval of Arrangement
September 30, 2013	19.97	5	First Review and end-June 2013 performance criteria
December 18, 2013	19.97	5	Second Review and end-September 2013 performance criteria
March 19, 2014	45.95	12	Third Review and end-December 2013 performance criteria
June 20, 2014	45.95	12	Fourth Review and end-March 2014 performance criteria
September 24, 2014	45.95	12	Fifth Review and end-June 2014 performance criteria
December 19, 2014	45.95	12	Sixth Review and end-September 2014 performance criteria
March 30, 2015	28.32	7	Seventh Review and end-December 2014 performance criteria
June 16, 2015	28.32	7	Eighth Review and end-March 2015 performance criteria
September 23, 2015	28.32	7	Ninth Review and end-June 2015 performance criteria
December 16, 2015	28.32	7	Tenth Review and end-September 2015 performance criteria
March 15, 2016	28.32	7	Eleventh Review and end-December 2015 performance criteria 2/
June 17, 2016	28.32	7	Twelfth Review and end-March 2016 performance criteria 2/
September 15, 2016	28.32	7	Thirteenth Review and end-June 2016 performance criteria
December 15, 2016	28.32	7	Fourteenth Review and end-September 2016 performance criteria
March 15, 2017	28.33	7	Fifteenth Review and end-December 2016 performance criteria
Total	615.38	160.7	

1/ Apart from periodic performance criteria, conditions also include continuous performance criteria.
2/ The Eleventh and Twelth reviews were combined and completed on June 17, 2016.

Appendix I. Letter of Intent

Kingston, Jamaica
August 30, 2016

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, with the exception of the March 2015 nominal target for the primary surplus for the central government, which was missed by a narrow margin, owing to lower than projected inflation and GDP growth (the surplus still came in at the projected 7.5 percent of GDP). 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 its specific targets. Attachment 1 to this letter is a supplementary Memorandum of Economic and Financial Policies (MEFP), presenting performance under the programme, and updating the 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 strong commitment to the continued implementation of the programme, the Government requests that the Executive Board of the IMF complete the 13th review of the extended arrangement under the Extended Fund Facility and the purchase under the arrangement of SDR 28.32 million.

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 in advance on the adoption of these measures and 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/	/s/
Audley Shaw	Brian Wynter
Minister of Finance and the Public Service	Governor, Bank of Jamaica
Jamaica	Jamaica

Attachment I. Memorandum of Economic and Financial Policies

I. PERFORMANCE UNDER THE PROGRAMME

1. **Policy implementation under the programme remains strong and structural reforms are progressing.** All quantitative performance targets for end-June 2016 were met and a new high level policy on public bodies that will ensure consistent PFM rules for public bodies was submitted to Cabinet in June (structural benchmark). We are also making progress on the measures for forthcoming reviews, including on public sector transformation.

II. POLICIES FOR 2016/17 AND BEYOND

2. **The Government remains fully committed to the reform programme**. It aims to increase efforts to boost growth and job creation, and strengthen social protection, supported by continued macroeconomic discipline. The quantitative targets that serve as performance criteria and indicative targets under the programme have been updated, and are presented in Table 1. The structural conditionality under the programme is presented in Table 2.

Fiscal Policy

3. **The budget for 2016/17, adopted by Parliament in May, targets a primary surplus of 7 percent of GDP, and increases room for growth-enhancing capital expenditure to support growth and job creation.** Economic growth is projected at 1.7 percent for this fiscal year, up from 1 percent in 2015/16. Capital spending is projected to increase from just below 2 percent of GDP in 2015/16 to 2.5 of GDP this fiscal year. To keep public debt on a downward trajectory to 96 percent of GDP by end-March 2020 and to 60 percent by 2025/26, a primary surplus of a 7 percent of GDP primary surplus will be maintained over the medium term.

4. **Preparations for the 2017/18 budget are underway, with the budget call expected in September.** We will seek to present the draft budget to parliament in February 2017, to allow for adoption prior to the start of the fiscal year, consistent with the fiscal rule legislation.

Tax Reforms

5. **Comprehensive tax reform is a key pillar of our economic reform programme.** The goal is an efficient and broad-based tax system that applies equitably to all entities, regardless of their sphere of economic activity. Based on ongoing IDB TA, we will continue to improve the reporting on tax expenditures and their estimated fiscal costs in the context of future budgets.

6. **Continuing tax reforms to rebalance from direct toward more efficient and growth-friendly indirect taxes is a central element of our program.** Effective July 1, 2016, we raised the exemption threshold for the personal income tax (PIT) to J$1,000,272 from J$592,800 (Phase I). A

further increase to J$1,500,096 will take place on April 1, 2017 (Phase II). The marginal tax rate for earnings above J$6 million was also increased from 25 to 30 percent on July 1, 2016.

- Phase I of this PIT reform is estimated to cost 0.9 percent of GDP this fiscal year and offsetting revenue measures implemented include (i) a J$7 per liter increase in the specific SCT on fuels, (ii) increase in the departure tax to US$35, (iii) increase the SCT on cigarettes by J$2 per stick, and (iv) implementation of a new LNG taxation regime.

- Phase II of the PIT reform is estimated to cost an additional 0.9 percent of GDP (about J$16 billion) in FY17/18. We are currently exploring options for offsetting revenue measures for implementation in the FY2017/18 budget, with support from the IMF. Ensuring revenue neutrality of the overall tax reform package, however, could require revenue measures in excess of 0.9 percent of GDP—given the extra social transfers needed to shelter the purchasing power of the most vulnerable from the shift from direct to indirect taxes.

- In the context of the shift from direct taxation, we will also strengthen property taxes, which have been shown to be both progressive and efficient. The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet for approval by end-December 2016 (*new structural benchmark for end-December 2016*).

- We are also exploring the scope for environmental taxation, including a carbon tax that will help Jamaica fulfill its Paris commitment by 2025.

- A comprehensive tax reform package—with due account to social protection—that extends beyond funding Phase II of the PIT reform, will be put in place starting in FY2017/18.

7. **The Tax Administration of Jamaica will enforce compliance with the new transfer pricing legislation for year of assessment 2016.** The transfer pricing legislation, passed in November 2015, includes the requirement to file a declaration of connected party transaction.

- A transfer pricing implementation strategy and action plan is being prepared with the support from the FAD resident advisor. It is expected to be finalized by September 2016 and execution will begin in October 2016.
- Two teams have been set up in the LTO, the necessary bulletins have been prepared and are under review by the OECD.
- Discussions on Advanced Pricing Agreements will commence in October 2016.

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

- Continued implementation of the TAJ National Compliance Plan (NCP) including the rationalization of key performance indicators (KPIs). Beginning in September 2016, the TAJ will prepare quarterly matrices showing the targets and actual results for each respective KPI in the NCP.

- Completion of staffing of the TAJ as a Semi-Autonomous Revenue Authority (SARA). All final offers are expected to be accepted by end-November 2016. Capacity will continue to be enhanced through: (i) training for audit managers, with a first session starting in November 2016, and (ii) the submission of the justification for the Policy and Transformation positions to the relevant division of the MOFP by October 2016
- Developing a comprehensive technical services framework by end-November 2016.
- Following up on the entity-by-entity review of all grandfathered tax incentives, the Fiscal Impacts Report will be produced by September 2016.
- Improving the efficiency of the large taxpayers' office (LTO) by (i) achieving and maintaining on-time filing rates of 99 percent for LTO clients for major taxes and (ii) completing 70 comprehensive audits and 11 issue audits and (iii) settling 90 objections, by March 2017.
- Achieving e-filing rates for the specified tax types for all returns for the Medium Taxpayers in alignment with the IDB revised requirements of (i) GCT over 80 percent by January 2017, (ii) CIT over 40 percent by April 2017, and (iii) PAYE over 65 percent by April 2017. The remaining taxpayers i.e. SMEs will be required to e-file their GCT returns by April 2018.
- Phase 1 of the Enterprise Content Management (ECM) system processes comprising (1) the electronic imaging and data capture of paper tax returns and (2) the electronic imaging of other paper documents (e.g., taxpayer letters, certified copies of certificates, auditor working papers, taxpayer rulings etc., in RAiS) has been completed. Interim testing on linking of these processes to RAiS case actioning and reporting components was concluded in June 2016. Phase 3 of RAiS is expected to be completed by September 2016.
- We have completed the implementation of ASYCUDA World which became mandatory for all international trade transactions on April 1.
- The legislative framework supporting enhanced trade facilitation practices by the JCA, as articulated in phase III of the Customs Act, is being harmonized with trade facilitation, the Special Economic Zone (SEZ) legislation, and treaty obligations with World Bank and CARTAC assistance. Drafting of the Phase III of the Customs Act will be concluded by end-December 2016 and tabled in parliament by end-March 2017.
- The SEZ Act was promulgated in February 2016, with the Appointed Day Notice being issued on August 1, 2016. The following steps have been taken or to be taken: (i) the members of the Oversight Board of the SEZ Authority were named in August 2016; (ii) commence the hiring of the Authority's management team by end-October 2016, and (iii) complete the drafting of regulations to implement the Act by end-October 2016;
- We are working to increase the number of completed PCA audits to 60 a year by March 2017, where 25 percent of the PCA audits undertaken are identified by risk management system. We aim to increase the latter proportion to 50 percent by March 2018.

Reforms to Public Financial Management (PFM) and the Budget Process

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

- A new procurement manual has been prepared with IDB assistance and is currently being revised. An Electronic Tendering System has been implemented in four pilot entities (Ministry of Finance and Public Service, e-Gov, Ministry of Health and National Health Fund) and three more entities (HEART Trust, PAJ, and OPM) were covered in June 2016.
- The macro-fiscal capacity of the Ministry of Finance and the Public Service (MoFP) will be strengthened with the support of IMF and other TA. The new organizational structure will be approved by end-August 2016; the selection process will begin afterwards. We expect all final offers to be accepted by end-November 2016.
- By end-September 2016, a new organizational structure for the Accountant General's Department (AGD) should be approved by Corporate Management Development (CMD) branch in the Ministry of Finance and Public Service (*structural benchmark for end-September 2016*). Transfer of the responsibility for further development and management of the CTMS from the MoFP to the AGD is ongoing; the mapping of functions was finalized in July 2016. Upon CMD's final approval, all positions and responsibilities will be permanently transferred to the AGD.
- A service level agreement (SLA) between the BoJ and the Government for banking services provided by the BoJ was signed in August 2016. After the circular is issued by the MOFP, full responsibility for the management of government accounts will be transferred to the AGD. An updated inventory of all bank accounts in the public sector was prepared in July 2016. By September 2016, a list of dormant and inactive accounts scheduled for closure will be prepared with the aim of closing them by December 2016.
- To enhance capacity in support of its ongoing reform agenda, the AGD will conduct a Training Needs Assessment by end-January 2017 to identify priorities and develop a medium term training program (*new structural benchmark for end-January 2017*).

10. **The Treasury Single Account (TSA) at the BoJ and overall cash management will be further expanded and improved.** Salaries of over 53,000 civil servants in the central government are now paid directly from the TSA including teachers and police.

- The more than 30 imprest accounts belonging to MDAs will be merged into a single imprest account by end-September 2016.
- We are putting in place phase 1 of enhancements to CTMS (expected to be completed by end-December 2016). Preparations for the web enablement of FinMan are also ongoing; implementation will begin by January 2017 after all enhancements and job orders for CTMS are completed and signed off.

- A ledger accounting system has been introduced into the CTMS with ledgers for the RTGS and ACH accounts. A plan for introducing ledgers for all other bank accounts maintaining a cash balance was prepared by July 2016; implementation of revenue bank accounts began in August 2016.
- A plan for paying all revenues, including earmarked revenues, into the TSA was drawn up in July 2016. By March 2017, we expect to (i) close all accounts used by MDAs to deposit funds earmarked as AIAs, and (ii) enable deposit of funds presently earmarked as AIAs directly into the CF. Daily sweeps of all revenue transit accounts into the TSA are also expected to begin by March 2017.
- By end-October 2016, cash transfers for intra-government transactions, which can be replaced by journal vouchers, will be eliminated.

Debt Management

11. **The Government of Jamaica is committed to sharply reducing public debt, which is expected to decline to 96 percent of GDP by end-March 2020.** This is expected to be achieved by sustained fiscal discipline, policies to bolster growth, as well as a prudent debt management strategy. In designing and implementing these undertakings, the GoJ will seek to ensure sound public sector governance and public debt management. The debt management strategy will seek to expand financing sources, including by further developing and deepening the domestic bond market, so as to reduce currency, duration and concentration risk for both the government and the financial sector. This is particularly important in light of the large redemptions coming due beginning in FY17/18.

Public Sector Reform

12. **The GoJ is committed to improving the efficiency, quality and cost effectiveness of the public sector.**

- **Public sector transformation.** Petroleum Company of Jamaica Limited (Petcom) was divested in July 2016. Going forward, we will:
  - By March 2018, centralize legal services within the central government under the office of the Attorney General, with support from Justice Canada.
  - Subject to legislative approval, implement the merged organizational structure between Betting Gaming and Lotteries and the Racing Commissions in April 2017.
  - Merge selected commodity Boards and the Export Division of the Ministry of Agriculture & Fisheries which deals with Spices into a single new body to be named the Jamaica Agricultural Commodities Regulatory Authority (JACRA). The legislation has been submitted to Parliament and the full merger is expected to be completed by September 2016.

  - Consequent on securing funding, we will seek to complete the procurement of the system for the Asset Management Shared Services and have a contract in place with the successful bidder by April 2017.

- We will submit to Cabinet an action plan for public sector transformation by end-September 2016. In particular, it will include detailed timelines for (1) the introduction of shared corporate services for communications and human resource management and (2) the merger, abolition and/or divestment/privatization of entities. The plan will also outline specific areas where efficiency gains can be made. *(structural benchmark for end-September 2016)*.

- **Wages and salaries.** The Government has signed new wage agreements for the 2-year period after March 2015 with 97 percent of public sector employees. Discussions for the period starting April 2017 will begin by November 2016 and are expected to conclude before April 1, 2017. Informed by the compensation review to be completed by December 2016, the government's goal is to achieve a wage bill of 9 percent of GDP in FY18/19, and to firmly maintain the ratio of public debt to GDP on a downward path over the medium term. In order to achieve this objective, the GOJ will continue to reduce the size of the public sector through the elimination of posts and by putting in place a clear attrition rule, subject to the capacity needs in a limited number of priority areas.

- **Compensation Review.** We will continue to build a comprehensive database to include all allowances paid to public employees across each MDA to ensure adequate control and oversight over this part of the wage bill. The database will be by occupational grouping and will include all types of allowances paid, their amounts as well as the number of employees that benefit from each type of allowance in a given fiscal year. A two-part pilot implementation will be pursued. A pilot for the Ministry of Finance and the Public Service will be completed by end-August 2016, followed by island-wide pilots, to be completed by end-November 2016, at the Ministry of Health (medical professionals), Ministry of Education, Youth and Information (teaching groups) and the Jamaica Constabulary Force (police groups) *(structural benchmark for end-November 2016)* The review of all other central government MDAs will be completed by March 2017.

- **Employee Census**. To ensure adequate oversight, we will verify each employee's post and eligibility of the post for allowances beginning with a two-part pilot where the first part will comprise of island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the Ministry of National Security, and the NIS to be completed by end-August 2016. The second part will include an island-wide pilot for the non-teaching personnel in the Ministry of Education to be completed by end-November 2016 *(structural benchmark for end-November 2016).* These pilots target groups with high turnover rates where a headcount exercise could yield significant gains. The verification for all other central government MDAs will be finalized by March 2017.

- **Pension Reform**. The Pension Bill was re-tabled in Parliament in July 2016. The new public pension system, as described in the June 2014 MEFP, is expected to be implemented in April

2017. The implementation will include regulations (to be developed by end-January 2017) to align the benefits accrual rate to international standards.

13. **The implementation of the human resources software system (the HCMES system; including Payroll) is progressing.** A project plan and a full-time dedicated project management team have been put in place. The configuration of the system was completed in June 2016, when the roll–out to the first 14 MDAs began.

14. **In the area of public bodies, further improvement is to be achieved to improve their efficiency and supervision.**

- To enhance transparency, the annual reports (including audited statements) for three-quarters of self-financing public bodies have been completed for FY15/16. The sanctioning process under Section 25 of the Public Bodies Management and Accountability Act of self-financing public bodies that failed to meet the statutory condition without reasonable cause is ongoing.
- The new structure of the Auditor General's office was approved in May, 2015. Its ongoing implementation, expected to conclude by April 2019 will allow for more in-depth and frequent reviews of financial statements of budget funded public bodies and enforcement of the six months' time limit for their submission to the Auditor General.
- A new policy on public bodies that ensures consistent PFM rules for public bodies was submitted to Cabinet in June 2016 (*structural benchmark end-June 2016*) and has been approved. The policy creates classes of public bodies and identifies key PFM principles to be adhered to for each class. The Public Enterprises Division in the MOFP will be responsible for ensuring that the policy on public bodies is being adhered to across the entire spectrum of PFM reform projects.
- Upon final approval by Cabinet of the new policy on public bodies, we will conduct a review of all existing public bodies to determine their classification. The review will also evaluate the scope for merging and reintegrating some public bodies into the central government. A strategy to implement the rationalization will be developed by end-September and the categorization of all public bodies into the new classes will conclude by end-February 2017.

III. FINANCIAL SECTOR REFORMS

15. **We are strengthening the prudential framework for financial supervision.**

- Under the Banking Services Act, the code of conduct on consumer related matters will be issued by end-August 2016. Regulations pertaining to agent banking will be tabled in Parliament by September 2016. The suite of regulations and rules that will comprise the regime for financial holding companies and consolidated supervision will be shared with the industry by end-November 2016, to be tabled by end-March 2017.
- We will ensure that in the near- to medium-term, the retail repo portfolios of individual firms and the securities industry as a whole is at a level deemed by the BoJ and the FSC to be

systemically safe and prudentially manageable. Following industry consultation and guidance from the Steering Committee, we have started implementing a strategy to introduce and gradually tighten prudential standards for the securities sector:

- In April 2016, we introduced an operational risk-weighted asset component in the calculation of securities dealers' capital adequacy;

- In June 2016, we started issuing comprehensive prudential guidelines for securities dealers;

- By December 2016, we will require all securities dealers to conduct regular stress tests and submit test results;

- By end-March 2017, the extension provided for the securities dealers to obtain client signatures for the Master Retail Repo Agreements (MRRAs) shall end; and only assets pertaining to signed MRRAs will be held in the trust that has been established for the retail repo clients. All other retail repo accounts will be terminated by that date and the FSC will issue regulations by end-March 2017 to institute mechanisms to safeguard the assets pertaining to the terminated contracts, for the benefit of the client.

- We will implement a limit of 25 percent on exposure to counterparty by 2019. By end-October 2016, we will begin consultations with the industry on the possibility of introducing intermediate targets;

- We are monitoring the dealers' retail repo leverage ratio, with the goal of introducing a minimum retail repo leverage ratio by April 2017 to be fully implemented and enforced by April 2019;

- We will take steps to further strengthen depositor protection and investor compensation across financial institutions, including also credit union depositors. Drafting instructions for the amendments to the Cooperative Society Act will be finalized by soon.

16. **We are further enhancing the arrangements for financial crisis preparedness and management**.

- We will prepare a consultation paper for the resolution framework for the entire financial sector, including proposals on (i) the scope of institutions that would be covered by the resolution regime; (ii) the resolution powers; (iii) the legal structure of the regime (i.e., administrative, court-based, or a combination); and (iv) the roles and responsibilities of the various agencies with respect to resolution (*structural benchmark for end-October 2016*). A working group has been established to prepare this paper, with inputs from stakeholders and IMF TA.

- To enhance the resolution framework for the financial sector, by end-February 2017 we will submit to Cabinet proposals for legislation.

17. **We will continue to strengthen the mandate and governance of the BoJ.**

- The Financial System Stability Committee, introduced by the amended BoJ Act which became effective in October 2015 and vested the BoJ with the responsibility for financial stability, will be formally established by September 2016. The functions and powers of the FSSC include producing financial stability assessments, the regular exchange of information on financial sector risks, commissioning stress tests and determining parameters that will trigger macro-prudential action. A proposal will be submitted to Cabinet in September 2016, discussing further amendments to the BoJ Act for enhancing BoJ governance and autonomy.

18. **We are implementing measures to protect the interest of retail repo clients.** In addition to the transition to the trust-based framework in August 2015, we raised the investment cap for CIS in foreign assets to 15 percent in June 2015, and to 25 percent by end-December 2015. Going forward, the BoJ will continue to monitor market conditions and compliance with the existing limits and assess the readiness to lift the investment cap further.

IV. MONETARY AND EXCHANGE RATE POLICY

19. **Monetary policy aims to achieve single digit inflation within a flexible exchange rate regime**. We envisage inflation in the range of 4.5 to 6.5 percent in FY2016/17 and over the medium-term. The long term objective is to gradually reduce inflation to a rate that is consistent with that of our main trading partners, and to eventually move to full-fledged inflation targeting. The BoJ will conduct annual reviews of Jamaica's readiness for inflation targeting. A draft of its first review has been completed. The outcome of the annual reviews will provide the inputs for an informed decision on the timing of adoption of inflation targeting to be made by Cabinet.

20. **The BoJ will continue to ensure the provision of adequate liquidity to the financial system at a price consistent with its policy goals.** Guided by IMF TA, the BoJ is developing a comprehensive strategy to improve the effectiveness of its open market operations and liquidity assurance framework in order to enhance the monetary policy transmission mechanism. Specifically, the BoJ will begin a programme of transitioning its policy rate to an overnight interest rate. This transition will be done over a six-month period, commencing with an adjustment of the interest rate on its overnight deposit facility in September 2016. The Bank will remove the bias in the cash reserve requirement structure that favours foreign currency deposits by gradually equalising the reserve requirements for foreign currency and domestic currency deposits in the banking system, starting October 2016. This initiative will reduce the attractiveness of foreign-currency denominated investments relative to Jamaica Dollar alternatives.

21. **The BoJ will continue to facilitate the development of the foreign exchange market.** The BoJ, in consultation with IMF TA, is exploring mechanisms to improve price discovery in the FX market and to prevent excessive speculative position-taking in the market. The BoJ also remains cognizant of the need to purchase foreign currency to further boost net international reserves.

V. GROWTH ENHANCING REFORMS

22. **We have established an Economic Growth Council (EGC).** The EGC includes representatives from the private sector and a representative from the Jamaica Confederation of Trade Unions. The EGC is mandated by the Prime Minister and Cabinet to identify a framework of initiatives designed to facilitate and catalyze growth. The EGC is supported by an Executive Secretariat that is also mandated to work closely with Government ministries, departments, agencies, and the private sector. Appropriate monitoring, evaluation and transparency mechanisms will be put in place to ensure that the EGC works closely with the Jamaican people, the private sector and civil society in the context of the growth and jobs agenda. The EGC has consulted with a broad cross section of Ministries, public departments and agencies, private sector groups, the Opposition, international multilateral partners and embassies. The EGC will complete its proposal of growth initiatives by September 12, 2016.

23. **Further actions for improving the business climate are critical:**

- A revised standardized pricing framework for development application fees is currently under review and is expected to be approved by Cabinet by end-October 2016.
- We will continue to report, on a quarterly basis, on progress in reducing the time needed for the approvals process for development projects, especially for commercial development projects, including against the 90-day benchmark. Around 89 percent of all building and planning applications were approved within 90 days for the first quarter of 2016.
- LAMP services were expanded to St. James, Trelawny, Hanover, St. Ann and Westmoreland in 2015/16, with 1,236 new titles issued during the year. Under the GoJ Land Titling programme, 9,093 titles were issue in FY2015/16 and 15000 titles are expected to be issued each year for FY2016/17 and FY2017/18.
- The implementation of the online system for business registration is being re-examined with the aim of developing a web-based form. A project manager was put in place in August 2016 and we expect to develop a project plan with firm timelines soon thereafter.
- Urgent actions will be taken to reduce the time needed for entrepreneurs to get an electricity connection. Plans foresee the automation of the work processes within the Government Electrical Regulator (GER) and the acquisition of further modules for the AMANDA software (currently operational in all parishes) to streamline procedures for scheduling, inspecting, approving and certifying electrical installations.
- The Port Community System (PCS) that electronically integrates and streamlines export and import procedures was launched in January 2016. The Export and Import modules in Kingston are expected to be implemented in October 2016 and January 2017, respectively. The ASYCUDA World Customs Management System acquired by the JCA will support integrated processes/procedures and the National Single Window, the latter supported by a World Bank

loan. Functions of the PCS that cannot be offered through ASYCUDA will be pursued by the private sector, possibly under a management contract.

- The GOJ has set up a Trade Facilitation Task Force which is examining the implications of all of the above systems and solutions, to ensure that Jamaica has an integrated and modern trade and logistics environment.
- We have developed an umbrella financial inclusion strategy, with inputs from stakeholders and consultancy from the World Bank, covering key areas including MSME financing, housing finance, payments, rural finance, consumer protection and literacy. In that context, a financial inclusion council will be established to oversee the implementation of the strategy. Next steps include establishing depositor protections for credit unions and tabling agent banking regulations to Parliament.
- The Development Bank of Jamaica (DBJ) achieved 121 percent of its MSME lending target in 2015/16. The DBJ is targeting to provide increased funding to MSMEs in 2016/17 and beyond. The Mobile Money for Microfinance initiative is being reconfigured to focus on establishing an ecosystem for private-sector driven mobile money operations. With assistance from the IDB, the project is expected to be completed by 2018.
- We will develop other areas of reform to improve the access to capital and reduce the cost of funding for MSMEs, including provision of support for MSME capacity development programmes, streamlining the process of listing on Junior Stock Exchange, establishment of a venture capital eco-system, full implementation of collateral and insolvency reforms, SME value chain development, promotion of factoring and lease financing mechanisms, enhancement of the partial credit guarantee scheme and micro-credit legislation and institutional reform.
- The Agro Parks Initiative, which aims to stabilize the agricultural supply chain, boost exports, and increase import replacement is progressing. Nine agro parks are already operational. Negotiations are ongoing to establish at least three more parks in 2016/17, with the IDB and CDB under solicitation to support at least two new Agro Parks. An IDB-financed consultancy is underway to prepare a sustainability framework for the existing Agro Parks and criteria for selection of new Parks. A matching grant scheme will benefit small farmers in their cluster work with lead anchor firms that export. The first call for grant proposals under the scheme was issued in July 2016 and disbursements have commenced.
- A national strategic plan for the BPO industry is now being implemented. Key actions under the plan include the establishment of a policy and legislative framework, labour market initiatives, infrastructure development, the development of business plans to attract developers and investors, and actions to support market penetration.

24. **Strategic investments to establish Jamaica as a logistics hub are well underway:**

- A 30-year concession agreement was signed with Kingston Freeport Terminal Ltd (KFTL) in end-June 2016 regarding the privatization of Kingston Container Terminal (KCT). Under the agreement, beginning July 1 2016, the concessionaire will undertake dredging the access channel to the Kingston Harbour and the KCT basin to allow for the handling of larger vessels that transit the newly-expanded Panama Canal. The concessionaire is expected to invest approximately US$625 million over two phases of the concession, with the possibility of a third phase.

- Work is reinitiating on the privatization of Norman Manley International Airport (NMIA). A new enterprise team has been appointed; the current timeline foresees commercial closure 10 months after the bidder has been selected.
- Work is also proceeding on the Caymanas SEZ, with World Bank support. A request for expression of interest was completed in November 2015, and we plan to issue the request for proposals for the feasibility study to the pre-qualified firms soon. This work is closely aligned with a Master Plan for the Logistics Hub Initiative expected to be completed by April 2017, also supported by the World Bank.
- The development of a transhipment port and industrial and commercial zones in the Portland Bight area by China Harbour Engineering Company (CHEC) is ongoing. Technical feasibility studies for the project have commenced. This is a prerequisite for determining the construction methodology and for obtaining the terms of reference from NEPA for the Environmental Impact Assessment.

25. **Reducing the cost of electricity is critical to improve competitiveness:**

- The action plan prepared by the Electricity Sector Enterprise Team (ESET) foresees replacing current (oil-fired) generation capacity with gas and ethane-fired plants, to achieve significant cost savings. The conversion of the Bogue power station from oil to LNG has been concluded; it will begin operations using LNG in August 2016. In addition, the government has approved the construction of Jamaica's first natural gas-fired power plant, a 190MW facility to be built and operated by JPS, and to be completed by 2018. Several renewable energy projects are also under way. Besides lowering electricity costs, these reforms are essential to reduce Jamaica's exposure to oil price fluctuations and help the country attain its emission goals.
- We will prepare a plan to ensure that all public entities (central government, local government, and public bodies) meet their financial obligations to utility companies in a timely manner.

26. **Labour market reforms are progressing.** In the context of the recently launched Comprehensive Labour Market Reform Agenda, a Labour Market Reform Commission and Secretariat was established and became operational on April 1, 2015. The Commission has been reviewing policies and practices in the five thematic areas of education and training; productivity, technology and innovation; labour policies and legislation; social protection; and industrial relations. A first draft of recommendations will be submitted to the Minister of Labour and Social Security (MLSS) by end-October 2016. Final recommendations will be submitted by end-March 2017.

VI. REFORM OF THE SOCIAL SAFETY NET

27. **Efforts to strengthen the social protection framework are progressing.** A draft graduation strategy for PATH households has been prepared and is under review by the MLSS. Submission to Cabinet is expected to take place after approval by MLSS and subsequent discussions with PIOJ. The comprehensive social protection strategy launched in July 2014 is being implemented: a monitoring and evaluation framework has been developed and a monitoring and evaluation specialist will be recruited to implement particular aspects.

28. **A national ID system (NIDS) will be rolled-out to all residents by 2020 which will improve targeting of social spending.** The first phase, which included the development of the legislative and institutional framework and designing the NIDS ICT infrastructure, was completed with IDB support. The second phase will begin in October 2016, following the submission of the NIDS policy to parliament by September 2016.

29. **Reforms to improve the sustainability and coverage of the NIS are ongoing.** A committee was established last year to examine reform options, after the actuarial review. A draft reform proposal has been prepared and discussions with stakeholders are ongoing; a submission to Cabinet is expected by September 2016.

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

(In billions of Jamaican dollars)

	2016					2017
	End-June			End-Sept	End-Dec.	End-Mar.
	PC	Adjusted PC	Actual	PC	PC	Indicative Targets
Fiscal targets						
1. Primary balance of the central government (floor) 4/	11.0		26.8	29.0	54.0	122.1
2. Tax Revenues (floor) 4/9/	99.0		108.3	198.0	300.0	440.0
3. Overall balance of the public sector (floor) 4/	-29.0	-31.9	-6.2	-41.0	-51.5	-17.2
4. Central government direct debt (ceiling) 4/5/	19.5		-3.6	45.0	55.0	61.0
5. Central government guaranteed debt (ceiling) 4/	0.0		-0.9	0.0	0.0	0.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	0.0		-0.1	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/	0.0		-1.9	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
9. Social spending (floor) 9/10/	4.8		7.6	9.7	16.4	24.3
Monetary targets						
10. Cumulative change in net international reserves (floor) 8/11/	-199.6	-186.4	285.6	-49.6	52.3	152.3
11. Cumulative change in net domestic assets (ceiling) 11/	28.7	27.1	-20.9	9.0	21.9	-2.0

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 2015 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 2014.
12/ Continuous performance criterion.
13/ The accumulation is measured against the stock at end-March 2016, which is J$21.0 billion for domestic arrears and J$17.3 billion for tax arrears.

Table 2. 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 Alumina 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	Met
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	Met
9. Government to table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25, Country Report No. 14/169).	November 30, 2015	Met
10. Government to establish a new Cash Management Unit in the Accountant General Department (AGD) and transfer to it the cash management function currently handled by the Fiscal Policy Management Unit (FPMU).	September 30, 2015	Met
11. Put in place a full-time dedicated project management team for the implementation of the human resources software system (including specialists in the areas of Business Process Mapping, Human Resource Management, Payroll Administration and Data Migration).	January 31, 2016	Met
12. Develop and submit to Cabinet for approval a new policy on public bodies that will ensure consistent PFM rules for public bodies.	June 30, 2016	Met
13. Submit to Cabinet an action plan for public sector transformation by end-September 2016. In particular, it will include detailed timelines for (1) the introduction of shared corporate services for communications and human resource management and (2) the merger, abolition and/or divestment/privatization of entities. The plan will also outline specific areas where efficiency gains can be made.	September 30 2016	
14. The Corporate Management Development (CMD) branch in the Ministry of Finance and Public Service to approve a new organizational structure for the Accountant General's Department.	September 30 2016	
15. Complete a two-part island-wide pilot to build a comprehensive database on all allowances paid to public employees in the Ministries of Finance, Health, Security, and Education.The database will be by occupational grouping and will include all types of allowances paid, their amounts as well as the number of employees that benefit from each type of allowance in a given fiscal year.	November 30, 2016	
16. Verify each government employee's work post and eligibility for allowances in a two-part pilot across the Ministry of Finance, the civilian population of the Ministry of Security, and the NIS, and non-teaching personnel in the Ministry of Education.	November 30, 2016	
17. The AGD to conduct a Training Needs Assessment to identify priorities and develop a medium term training program.	January 31, 2017	Proposed
Tax Reform		
18. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
19. 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
20. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
21. 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	Not met 1/
22. Government to table legislation governing the tax regime that will be part of the SEZ legislation consistent with the criteria listed in the June 2015 MEFP par. 13 to help safeguard the integrity of the tax system and avoid tax leakage.	October 31, 2015	Met
23. Conclude all work on the calculation of new rates and bands for property taxes, consistent with the 2013 valuations, and submitting them to Cabinet for approval.	December 31, 2016	Proposed
Tax Administration		
24. 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
25. Government to implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	Met
26. Government to: (i) increase the number of staff in the large taxpayers office (LTO) by a further 30 auditors (from March 2014 to March 2015); (ii) increase the number of (full plus issue) audits completed in the 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; (iv) write-off all GCT and SCT debts that have been subjected to risk-rated stress tests and consequently categorized as uncollectible according to the Regulations.	March 31, 2015	Not met 2/

Table 2. Jamaica: Structural Program Conditionality (Concluded)

Measures	Status/Timing	
27. Government to complete pilot testing of ASYCUDA World (covering imports and exports) in the Kingston port.	May 31, 2015	Met
28. Government to implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	Met
29. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	Met
30. Government to fully implement the key performance indicators, as outlined in the National Compliance Plan, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	Met
31. Government to implement Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types.	December 31, 2015	Met
32. Increase the capacity of the Post-Clearance Audit (PCA) unit in the JCA through the hiring of 15 more auditors.	March 31, 2016	Met
Financial sector		
33. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
34. 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
35. 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	Met
36. Government to table the Omnibus Banking Law 3/ consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 4/
37. Government to finalize the transition of retail repos to the trust-based framework.	August 30, 2015	Met
38. Government to fully implement the Banking Services Act.	September 30, 2015	Met
39. The BOJ to have overall responsibility for financial stability.	November 1, 2015	Met
40. Draft a consultation paper for the resolution framework for the entire financial sector, including proposals on (i) the scope, roles and responsibilities, and powers of institutions that would be covered by the resolution regime; and (ii) the legal structure of the regime (i.e., administrative, court-based, or a combination).	October 31, 2016	
Growth enhancing structural reforms		
41. Government to implement a new (AMANDA) tracking system to track approval of contruction permits across all parish councils.	December 30, 2014	Met
42. Government to table in parliament the Electricity Act.	January 31, 2015	Met

1/ The review was reportedly completed in March 2015.
2/ While all other elements of the benchmarks were met, technical difficulties prevented the achievement of 95 percent take-up rate of e-filing in the LTO. The take-up rate was 80 percent.
3/ Currently referred to as the Banking Services Act.
4/ 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

1. **This Technical Memorandum of Understanding (TMU) sets out the understandings between the Jamaican authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the programme supported by the 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.

2. **For programme purposes, all foreign currency-related assets, liabilities and flows will be evaluated at "programme exchange rates" as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates.** The updated programme exchange rates are those that prevailed on December 31, 2014. Accordingly, the exchange rates for the purposes of the programme are show in Table 1.

Table 1. Program Exchange Rates (End-December, 2014)/1	
Jamaican dollar to the US dollar	114.66
Jamaican dollar to the SDR	166.12
Jamaican dollar to the euro	139.21
Jamaican dollar to the Canadian dollar	97.69
Jamaican dollar to the British pound	177.68
1/ Average daily selling rates at the end of December 2014	

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

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

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

A. Cumulative Floor of the Central Government Primary Balance

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

6. **Revenues are recorded when the funds are transferred to a government revenue account.** Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Government-funded PPPs will be treated as traditional public procurements—the associated costs will be recorded as on-budget investment during the construction phase of the

project. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers will be allocated to current and capital expenditures, accordingly.

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

8. **To kick-start economic growth, the following growth-enhancing projects will be added to primary expenditures, accommodated by the 0.5 percent of GDP reduction in the central government primary surplus target for FY2016/17:** Rural Economic Development Initiatives (REDI), Rehabilitation of Irrigation Infrastructure (NIC), Islandwide Flood Damage Mitigation & Vector Control, Road Rehabilitation Project II, Major Infrastructure Development Programme (MIDP), Support to SMEs Sector, Support to PIMC Pipeline Projects, Contingency for Natural Disaster/Infrastructural Rehabilitation, BPO Expansion – Portmore and Montego Bay, Fiscal Administration Modernization Programme (FAMP), Strategic Public Sector Transformation Project, Jamaica Foundations for Competitiveness & Growth, Expansion/upgrading of educational Institutions Infrastructure, Education System Transformation Programme, Major Rural Farm Roads Rehabilitation, Drought Mitigation Programme in Farming Communities.

9. **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

10. **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.

11. **Public bodies consist of all self-financed public bodies, including the 17 "Selected Public Bodies" and "Other Public Bodies."** The 17 "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.

12. **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.

13. **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.**

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

Table 2. Overall Balance of Petrojam (Baseline Projection)

	In billions of Jamaican dollars
End-March 2016	-2.2
End-June 2016	0.0
End-September 2016	-3.0
End-December 2016	-2.3
End-March 2017	-1.0

15. **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.

C. Ceiling on the Change in the Stock of Central Government Direct Debt

16. **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.

17. **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.**

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

19. **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

20. **Definitions:** Net increase in central government guaranteed debt is calculated as issuance minus repayments of central government guaranteed debt, in billions of Jamaican dollars, including domestic and external bonds, loans and all other types of debt. Foreign currency debt will be converted to Jamaican dollars at the programme exchange rate. Central government guaranteed debt does not cover loans to public entities from the PetroCaribe Development Fund. The cumulative targets are computed as the difference between the stock of government guaranteed debt as of end-March of each year and the stock of government guaranteed debt as of the target date.

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

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

23. **Adjuster:** In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards in both the end-March of each year and the target date in order to preserve the performance criteria.

E. Ceiling on Central Government Accumulation of Domestic Arrears

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

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

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

F. Non-Accumulation of External Debt Payments Arrears

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

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

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

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

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

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.

30. **Definitions:** Under the definition of debt set out above, arrears, penalties and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

31. **Definitions:** Under this definition of debt set out above, external payments arrears consist of arrears of external debt obligations (principal and interest) falling due after March 31, 2015 that have not been paid at the time due, taking into account the grace periods specified in contractual agreements. Arrears resulting from nonpayment of debt service for which a clearance framework has been agreed or rescheduling agreement is being sought are excluded from this definition.

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

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

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

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

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

G. Ceiling on Central Government Accumulation of Tax Refund Arrears

37. **Definition**: Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. This accumulation is measured as the

change in the stock of tax refund arrears relative to the stock at end-March 2016, which stood at J$17.3 billion.

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

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

H. Floor on the Cumulative Change in Net International Reserves

40. **Definitions: Net international reserves (NIR) of the BOJ are defined as the U.S. dollar value of gross foreign assets of the BOJ minus gross foreign liabilities with maturity of less than one year.** Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the programme exchange rates. Gross foreign assets are defined consistently with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BOJ's holdings of monetary gold, SDR holdings, foreign currency cash, foreign currency securities, liquid balances abroad and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, swaps and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets.

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

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

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

The NIR target will be adjusted upwards (downwards) by the amount by which, at a test date, the cumulative changes from end-December 2014 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 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 2015	158
End-December 2015	205
End-March 2016	231
End-June 2016	23
End-September 2016	147
End-December 2016	218
End-March 2017	233
Budget support grants	
End-September 2015	21
End-December 2015	21
End-March 2016	31
End-June 2016	0
End-September 2016	0
End-December 2016	0
End-March 2017	0
IMF budget support disbursements	
End-September 2015	0
End-December 2015	0
End-March 2016	0
End-June 2016	0
End-September 2016	0
End-December 2016	0
End-March 2017	0

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

44. **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.

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

46. **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.

Table 4. Reserve Liabilities Items for NIR Target Purposes

	(In millions of US$) 1/
BOJ's foreign liabilities to residents	
Outstanding stock	
End-December 2014	242.0
Cumulative change from end-December 2014	
End-September 2015	94.1
End-December 2015	9.3
End-March 2016	78.4
End-June 2016	238.1
End-September 2016	367.6
End-December 2016	469.3
End-March 2017	399.7

1/ Converted at the programme exchange rates.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Cumulative Floor on Central Government Tax Revenues

47. **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).

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

B. Floor on Central Government Social Spending

49. **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 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.

50. **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*.

51. **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.

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

III. CONDITIONALITY ON TAX WAIVER REFORM

53. **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.**

54. **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.

55. **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.**

IV. CONDITIONALITY ON USER-FUNDED PPPS

56. **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.

57. **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).**

58. **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 FY2016/17, the projected nominal GDP used as a reference is J$1,726 billion, as presented in Table 2H, part 2, Macroeconomic Framework, page 34.

V. INFORMATION REQUIREMENTS

59. **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.
- 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.
- Issuance of exempt distributions by financial and non-financial corporations, six weeks after month end.
- Imports and exports of goods, in US$ million within twelve weeks after month end. Tourism indicators within four weeks after month end. Remittances' flows within four weeks after month end.
- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.

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

- 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.