



# JAMAICA

November 2019

## SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR JAMAICA

In the context of the Jamaica—Sixth Review Under the Stand-By Arrangements the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 4, 2019, following discussions that ended on September 20, with the officials of Jamaica on economic developments and policies underpinning the IMF arrangement under the Stand-By Arrangement. Based on information available at the time of these discussions, the staff report was completed on October 16, 2019.
- A **Statement by the Executive Director** for Jamaica.

The documents listed below have been released.

Letter of Intent sent to the IMF by the authorities of Jamaica\*

\*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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**Washington, D.C.**



INTERNATIONAL MONETARY FUND



Press Release No. 19/393  
FOR IMMEDIATE RELEASE  
November 4, 2019

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Completes Sixth and Final Review under the Stand-By Arrangement for Jamaica**

On November 4, 2019, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review of Jamaica’s performance under the program supported by the [Stand-By Arrangement](#) (SBA). The 36-month SBA, with a total access of SDR 1,195.3 million (about US\$ 1.65 billion), equivalent to 312 percent of Jamaica’s quota in the IMF, was approved by the IMF’s Executive Board on November 11, 2016 (see [Press Release No.16/503](#)). The Jamaican authorities continue to view the SBA as precautionary until the program expires on November 10, 2019, an insurance policy against unforeseen economic shocks that could lead to a balance of payments need.

Following the Executive Board’s discussion today, Mr. Tao Zhang Deputy Managing Director and Acting Chair issued the following statement:

“The Jamaican authorities have demonstrated an exemplary commitment to reforms under two consecutive IMF-supported programs that have spanned the last 6 and a half years. Difficult reforms have been implemented—with considerable sacrifices by the Jamaican people—that have institutionalized fiscal discipline and led to substantial reduction in public debt, which is now on track to meet the legislated target of 60 percent of GDP by March 2026. The unemployment rate is at an all-time low, inflation is subdued, the financial system is less vulnerable, and international reserves are comfortable.

“The authorities are committed to sustain policy discipline after the conclusion of the SBA. The government’s request to the Economic Programme Oversight Committee to continue monitoring its macroeconomic targets and reform commitments will support public accountability until the fiscal council becomes fully operational, while the proposed amendments to the BOJ Act will improve central bank governance and independence, allowing a greater focus on the central bank’s price stability mandate. These reforms, together with a well-functioning public bodies’ governance framework and a natural disaster financing policy, will help institutionalize the gains achieved under the Fund-supported programs.

“Important gains have been made in the oversight of financial institutions. The next steps should include enhanced group-wide supervision of financial conglomerates, improving data and analytics, better coordination among financial regulators, an improved legislative

framework for the resolution of financial intermediaries, and further strengthening of the AML/CFT framework.

“Supply-side reforms are needed to promote inclusive growth and lower poverty. This requires productivity-enhancing public investments in human and physical capital, strengthened governance, greater financial inclusion, prioritizing measures to combat crime, and implementing policies that will help build resilience to natural disasters and weather fluctuations. To create fiscal space for these efforts, the government will have to strengthen fiscal institutions and modernize the compensation framework for public employees.”



# JAMAICA

## SIXTH REVIEW UNDER THE STAND-BY ARRANGEMENT

October 16, 2019

### EXECUTIVE SUMMARY

**Context.** The 3-year Stand-By Arrangement (SBA) terminates shortly after conclusion of this sixth and final review. As Jamaica graduates from 6½ years of continuous Fund-supported reform programs over two successive arrangements, macroeconomic stability has been entrenched with substantial fiscal over-performance and efforts to address structural weaknesses. Public debt has been significantly reduced, unemployment is at a historic low, credit recovery is gaining force on the back of substantial monetary easing, FX reserves are comfortable, and inflation is subdued. However, for most of the past 6 years, growth has been low. The authorities are committed to policy continuity, safeguarding the hard-earned economic gains, and promoting growth and job creation.

**Strong program performance.** All quantitative performance criteria, indicative targets, and the structural benchmark at end-June were met, marking a successful completion of the SBA. Most structural policy commitments are on track, although some key reforms to public sector transformation, the compensation framework for public employees, legislation to establish a fiscal council, and creating a special resolution regime for financial institutions (FIs) have been delayed due to capacity constraints and the need to build stakeholder support for these reforms. Upon conclusion of this final review, Jamaica's available credit under this SBA would equal the approved access under the arrangement of SDR 1.195 billion.

**Review focus.** Discussions centered on policies to lock-in macroeconomic stability and advance supply-side reforms to promote inclusive growth, including: (i) building institutions and advancing fiscal reforms to safeguard and sustain economic stability and debt reduction; (ii) improving monetary operations and policy transmission; (iii) developing the FX market by enhancing pricing transparency and reducing the central bank's footprint; (iv) bolstering financial inclusion, access to credit, and formality; (v) developing debt and capital markets; (vi) moving to risk-based and consolidated supervision of financial conglomerates; and (vii) strengthening FIs' resolution regime.

Approved by:  
**Nigel Chalk (WHD) and  
 Nathan Porter (SPR)**

Mission Team: U. Ramakrishnan (head), J. Danforth and A. Babii (all WHD), R. Lam (FAD), N. Suryakumar (MCM), R. Mano (SPR), C. Lonkeng (outgoing Resident Representative), and K. Youssef (incoming Resident Representative). S. Tibung, A. Robinson, S. Spencer and C. Ritchie, (all WHD) supported the mission. Ms. L. Levonian and Mr. C. Williams (OED) joined the discussions. Discussions took place in Jamaica (September 9-20, 2019).

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## RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

**1. Reforms under two successive IMF-supported programs have generated impressive results.** Policies supported by the precautionary SBA (2016–19) and its predecessor EFF (2013–16) helped facilitate a significant improvement in a host of key macroeconomic variables. Debt restructuring combined with active liability management and persistent fiscal discipline contributed to drastically reduced debt. Policy reforms strengthened tax administration, public financial management, monetary operations, FX market operations, financial system oversight, and reserves accumulation (Annex I).

<b>Jamaica: Performance of Key Macroeconomic Variables 2013-2019</b>							
(In percent unless otherwise stated)							
	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17	FY17/18	FY18/19
<b>Output (in percent)</b>							
GDP growth	-0.7	0.9	0.2	1.0	1.4	1.0	2.0
<b>Prices (end of period, percent change)</b>							
Consumer price index	9.1	8.3	4.0	3.0	4.1	4.0	3.4
<b>External sector (end of period, \$ millions)</b>							
Gross international reserves	1,718	2,049	2,690	2,894	3,324	3,657	3,605
<b>Labor Market (in percent)</b>							
Labour force participation	62.5	62.8	63.4	64.3	64.9	63.8	64.2
Unemployment rate	14.5	13.4	14.2	13.3	12.7	9.6	7.8 <sup>2/</sup>
<b>Fiscal (in percent GDP)</b>							
Primary balance	5.4	7.6	7.5	7.2	7.6	7.5	7.5
Tax revenue	24.0	23.6	23.6	24.5	25.7	25.7	26.4
Debt 1/	145.8	139.1	138.0	121.9	113.6	101.1	94.4
Wages and salaries 3/	11.0	10.1	9.5	9.7	9.3	9.2	8.9
Interest expense	9.5	7.5	8.0	7.4	7.8	7.0	6.3

Source: Jamaican authorities.

1/ Debt follows the EFF definition prior to FY16/17 and FRL definition afterwards.

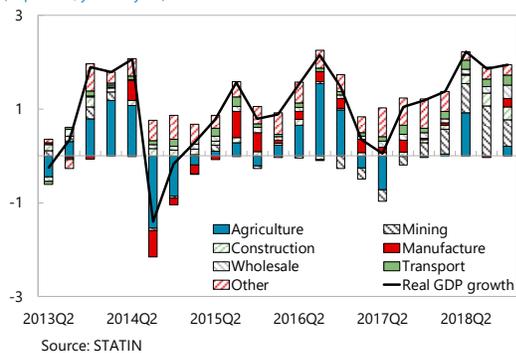
2/ As of April 2019

3/ Prior to FY2013/14 wages and salaries included employer contributions.

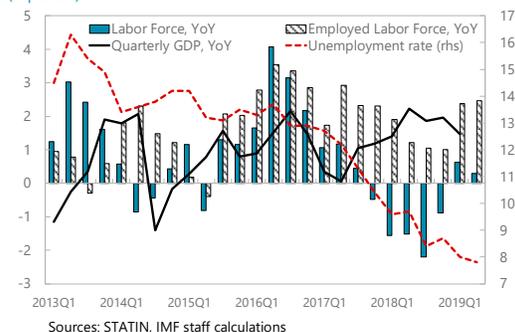
**2. Growth momentum appears to be slowing.** Growth has been positive for 18 consecutive quarters, including 1.7 percent (y/y) in Q1 2019. In FY18/19, growth is estimated to be 2 percent, about 3 times the average growth of the last two decades, driven by robust tourist arrivals, capital expenditure, and mining. However, growth is projected to decline to 0.8 percent in FY19/20 due to continued drought and the planned 18-24-month closure of the mining company Alpart for plant upgrades. Recovery in these sectors, along with higher productivity and more public and private investment, should support higher medium-term growth. However, fully unlocking Jamaica's potential for higher and more inclusive growth requires dealing with chronic rigidities (Box 1).

**3. Unemployment is at a historic low.** In April, the unemployment rate reached 7.8 percent—the lowest ever—even as the labor force expanded. Youth unemployment has declined to 19.5 percent, the lowest on record. Most employment gains have been in construction, community and social services, tourism, and the Business Process Outsourcing sector. That said, there is no strong evidence yet of a meaningful shift from informal to formal employment.

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

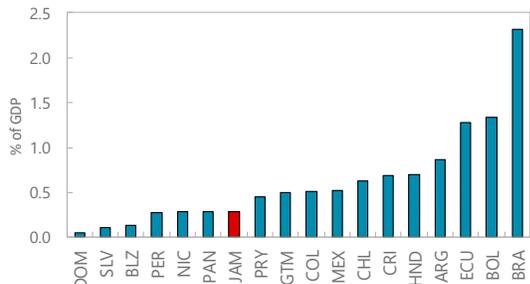


**Employment and Growth**  
(in percent)



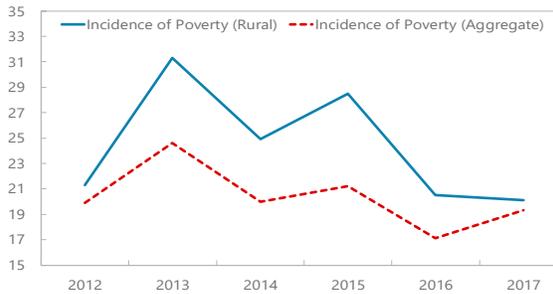
**4. Despite gains in macroeconomic stability, poverty increased in 2017.** The latest figures show that 19.3 percent of Jamaicans were living below the poverty line in 2017, a rise of 2.2ppts over 2016. However, the trend decline continues from the peak poverty rate of over 24 percent in 2013. Rural poverty declined marginally in 2017 despite repeated shocks to the agriculture sector but was insufficient to offset increases in poverty in the Kingston Metropolitan Area and other towns. Spending on social programs, while increasing, is still lower than in other comparable countries.

**Expenditure on Social Cash Transfers**  
(% GDP, latest year available)



Sources: Jamaica authorities; World Bank ASPIRE database; IMF staff estimates.  
Note: Social cash transfer is defined as the sum of conditional cash transfers and social pensions. Data is from 2015 or earlier.

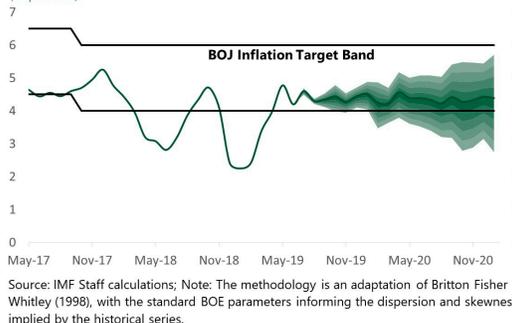
**Rural and Aggregate Poverty**  
(in percent)



**5. The Bank of Jamaica (BOJ) continues to demonstrate a clear resolve for keeping inflation within the target range.**

Following five months of CPI inflation running below the BOJ’s target range of 4-6 percent, inflation has averaged just above 4 percent (y/y) since May 2019. Core inflation, though, remains stubbornly low (around 2.5 percent). The most recent 25bps cut in August has brought the overnight policy rate to 0.5 percent, a 325bps reduction since the easing cycle began in June 2017. The cash reserve requirement (CRR) for J\$ deposits was also lowered from 12 to 7 percent in two steps this year. Under the current policy setting, inflation is expected to approach the mid-point of the target range by end-FY19/20.

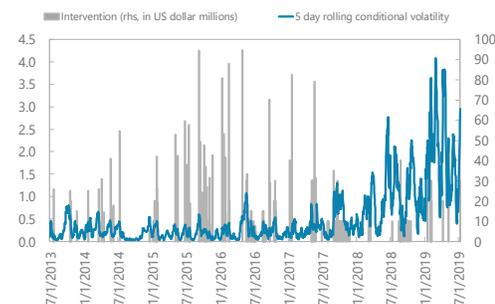
**CPI Inflation Fan-Chart**  
(in percent)



**6. The FX market infrastructure is being upgraded to improve price discovery and transparency.**

The absence of a trading platform for transparent price disclosure and limited access to hedging instruments have contributed to higher, and sometimes excessive, realized volatility in the J\$/US\$ exchange rate. In addition, the BOJ’s reduced FX sales—which are substantially lower on average since the introduction of FX auctions in June 2017—have also played a role. In June, the BOJ introduced an interim measure for dealers to transparently post their exchange rates on a Bloomberg platform, but market take up has been limited so far. A permanent technological solution to increase transparency is expected to be completed in early-2020.

**Daily Jamaican Dollar Volatility and BOJ Interventions**

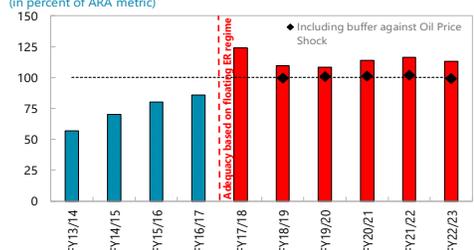


Sources: BOJ; IMF staff calculations

**7. Balance of payments risks are mitigated by a moderate current account deficit and adequate reserves.**

The current account deficit is estimated to have declined in FY18/19 to 2.2 percent of GDP, due to resurgent mining exports and tourism receipts. Although the current account deficit is expected to rise to around 3 percent of GDP over the medium term, gross reserves are expected to comfortably exceed 100 percent of the IMF’s Assessment of Reserve Adequacy (ARA) metric throughout the medium term, providing adequate buffer against external shocks.

**Gross International Reserves**  
(in percent of ARA metric)



Source: IMF Staff calculations. ARA calculated using weights for floating exchange rates from March 2018. Countries with reserves between 100 and 150 percent of ARA metric are deemed to have adequate levels of reserves. The buffer is calculated based on a one-standard-deviation rise in oil prices following IMF (2016).

**8. Overall risks are tilted to the downside.** Sustained higher oil prices combined with tighter and/or volatile global financial conditions as well as weaker global growth could negatively impact tourism and increase capital outflows. Domestic risks include a longer-than-expected shutdown at Alpart (as investment upgrades are delayed), weather swings that put agriculture at risk, and uncertainty linked to the future of the Petrojam refinery. Capacity constraints combined with slow-moving resolution of important structural challenges—including crime, governance, access to finance, and public sector inefficiencies—have the potential to erode public confidence and reduce medium-term growth.

**9. Jamaica continues to access international capital markets at competitive rates.**

In September, the GOJ conducted a liability management operation that improved its debt maturity profile by buying about US\$1 billion of international bonds maturing in 2022, 2025 and 2028 and reopening US\$815 million in 2045 bonds at a low yield-to-maturity of 5.8 percent. Meanwhile, in October, S&P raised Jamaica’s credit rating from “B” to “B+” on improved external position with a stable outlook.

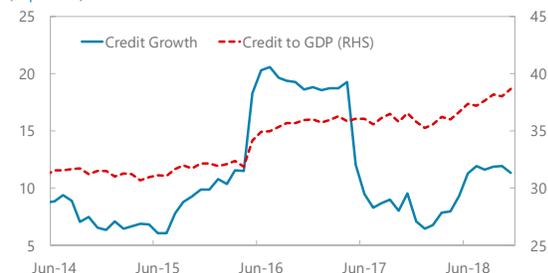
**Amortization Profile of External Sovereign Bonds**  
(in USD millions)



Sources: GoJ and IMF staff estimates.  
Note: The liability management involved a buyback of US\$966 million of sovereign bonds maturing between 2022 and 2028 and an issuance of US\$815 million bonds maturing 2045.

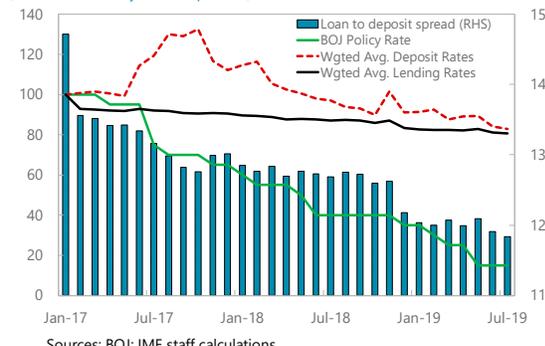
**10. Banks face easier financial conditions.** Lending rates have declined, albeit by less than the reduction in the policy rate. Most of the new lending is to households (for mortgages and personal consumption which have grown by around 30 percent from 2017Q2 to 2019Q2). Anecdotally, smaller banks may be underwriting mortgages with high loan-to-value ratios which could mean, if income growth were to weaken, that some households may face difficulties meeting their debt service. NPLs are at a historic low (2.4 percent of total loans), loan loss provisions are high, and banks are well-capitalized.

**Private Sector Credit and Growth, year on year**  
(in percent)



Sources: BOJ; IMF Staff calculations  
Note: Series represents loans and advances of Commercial Banks, Merchant Banks and Building Societies -- net of provisions. Significant increase (decrease) in Jun. 2016 (Jul. 2017) reflects the effects of a single large loan for a corporate acquisition.

**Monetary Policy Transmission**  
(index 100=January 2017; in percent)



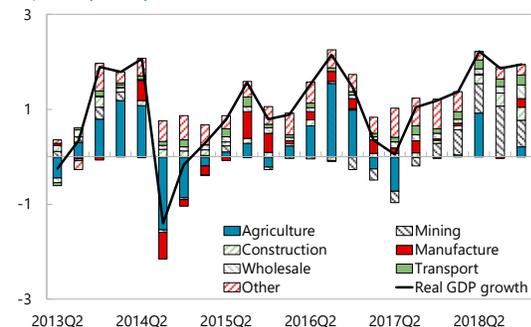
Sources: BOJ; IMF staff calculations

**Figure 1. Jamaica: Recent Developments**

*Mining supported growth in the first three quarters...*

**Quarterly Real GDP Growth**

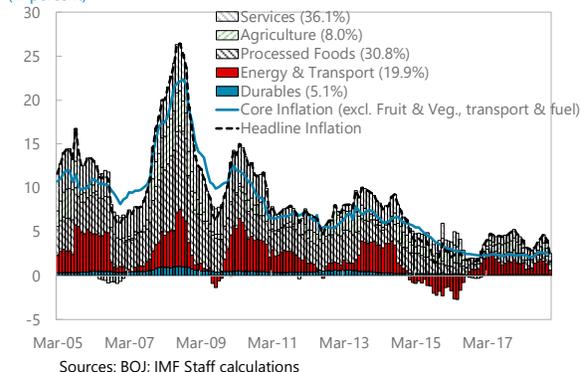
(in percent, year on year)



*...and inflation has been subdued.*

**Inflation and Contributions**

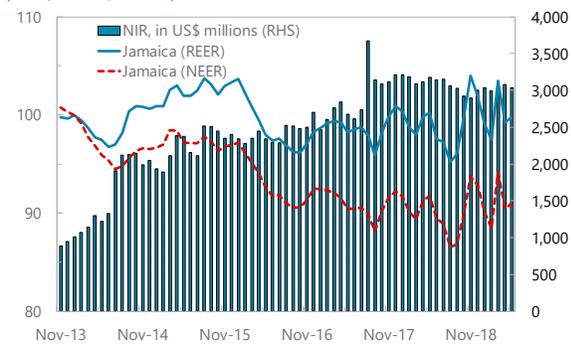
(in percent)



*The REER and NEER have remained stable since 2017...*

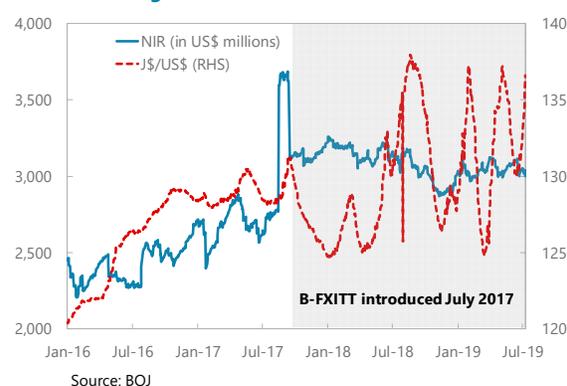
**Competitiveness and Net International Reserves**

(index, and US\$ millions)



*...but with significant swings in the exchange rate.*

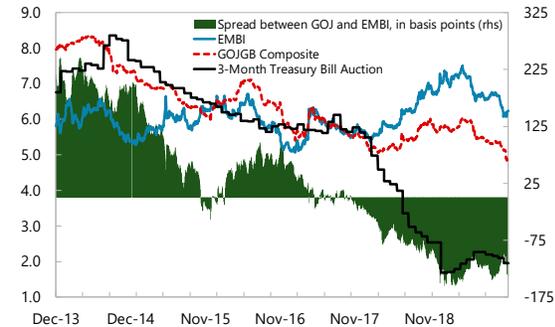
**J\$/US\$ Exchange Rate and Net International Reserves**



*Bond spreads are at an all-time low...*

**Jamaica Borrowing Cost**

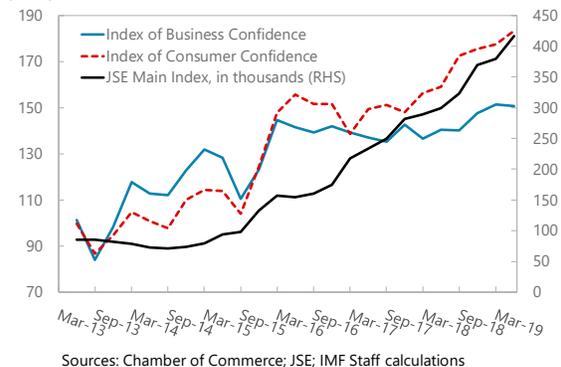
(in percent and basis points)



*...and consumer confidence at an all-time high.*

**Confidence and Stock Market**

(index)

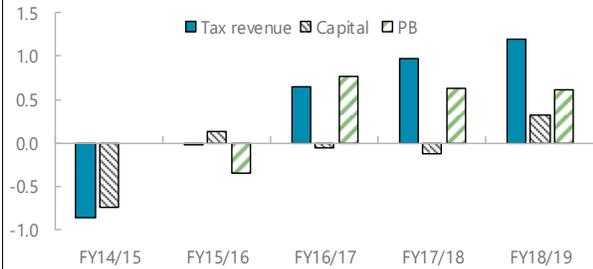


**Figure 2. Jamaica: Fiscal Turnaround**

*Budget execution has improved...*

**Budget Execution**

(Actual minus budget, percent GDP)



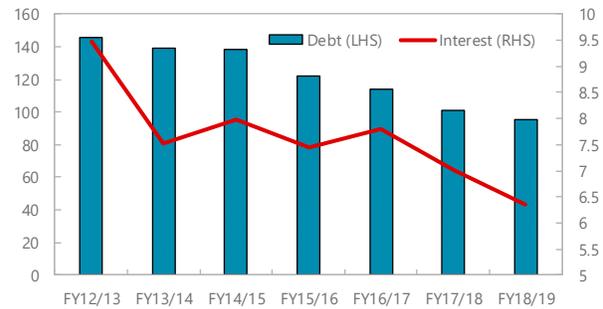
Sources: GOJ, IMF Staff calculations.

Note: Budget refers to figures presented in the Fiscal Policy Paper.

*...debt and interest costs have fallen.*

**Government Debt**

(percent GDP)



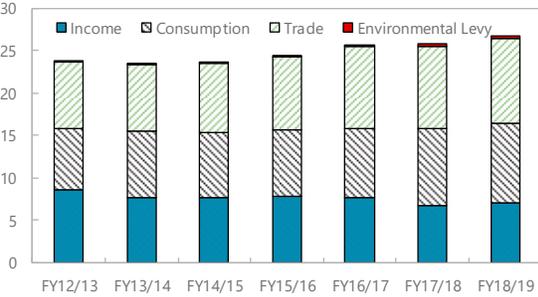
Sources: GOJ

Note: Debt calculated using EFF definition to FY16/17, FRL afterwards.

*Higher tax revenue and lower interest costs...*

**Tax Revenue**

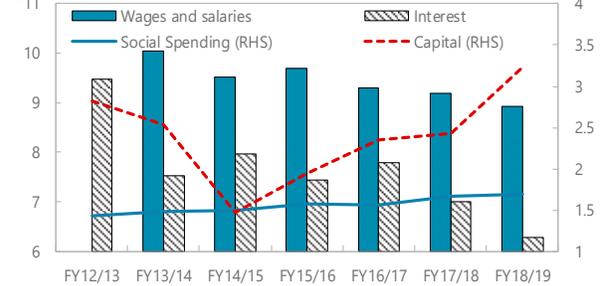
(percent GDP)



*...are financing a more pro-growth mix of spending.*

**Composition of Spending**

(percent GDP)

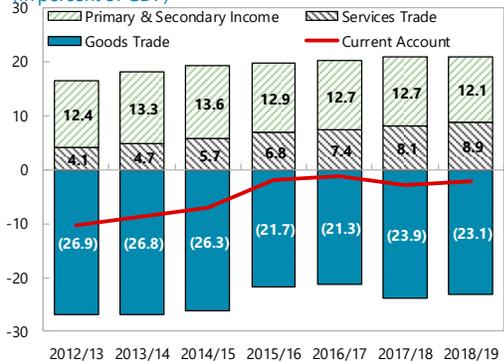


**Figure 3. Jamaica: External Sector Developments**

The current account deficit declined in 18/19...

**Current Account: Balance of Major Components**

(in percent of GDP)

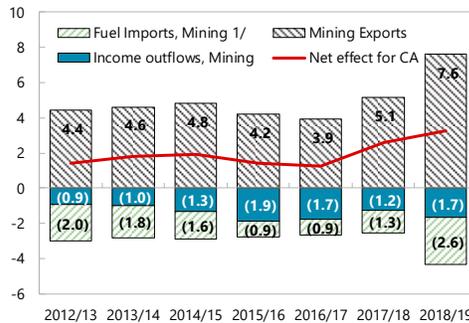


Source: BOJ, Staff calculations.

...as mining exports rose significantly ...

**Mining Flows**

(FOB, in percent of GDP)



2012/13 2013/14 2014/15 2015/16 2016/17 2017/18 2018/19

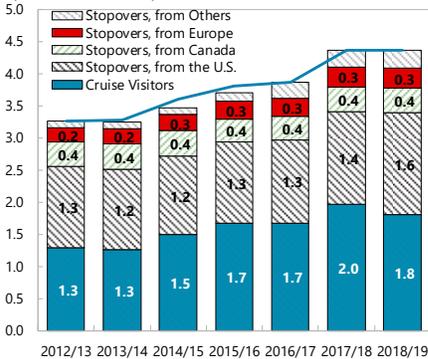
Source: BOJ, Staff calculations.

Note: 1/ Using share in cif imports to convert to fob.

...and tourism arrivals remain robust.

**Total Visitor Arrivals**

(visitors in millions)

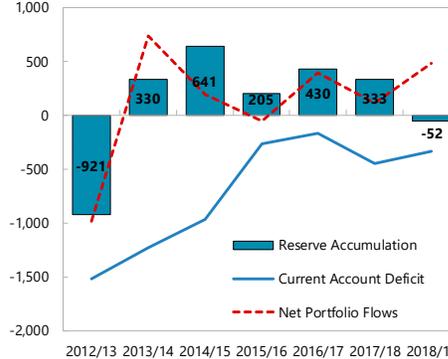


Source: BOJ, Staff calculations.

Larger portfolio inflows helped finance the current account deficit, limiting reserve sales.

**Select Items of the Balance of Payments**

(USD million)

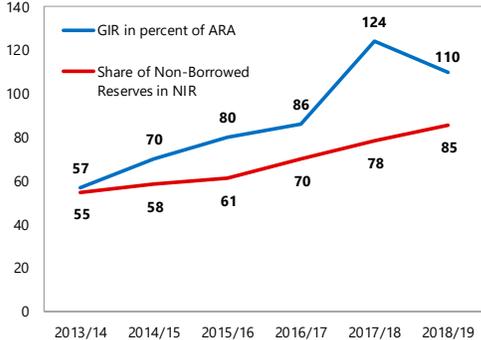


Source: BOJ, Staff calculations.

Reserve adequacy rose and the composition of reserves improved ...

**Size and Composition of Reserves**

(in percent)

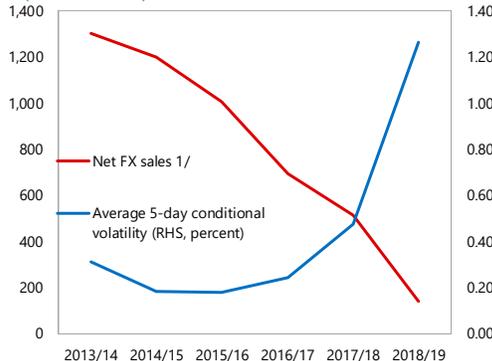


Source: BOJ, Staff calculations.

...As the BOJ reduced its footprint in the FX market, allowing for an increasingly flexible J\$.

**FX Intervention and Volatility**

(in million USD)

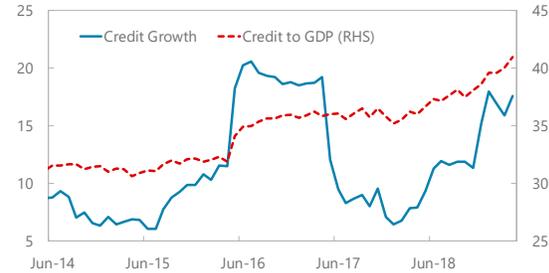


1/ Excluding net PSE sales. Source: BOJ, Staff calculations.

**Figure 4. Jamaica: Household Indebtedness**

*Private sector credit growth has been accelerating...*

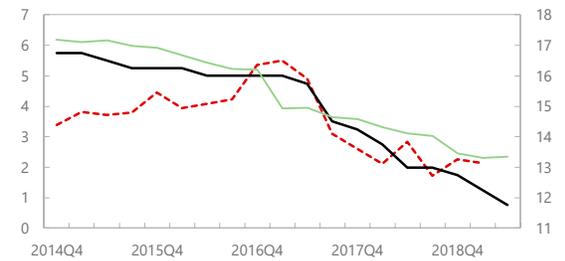
**Private Sector Credit and Growth, year on year**  
(in percent)



Sources: BOJ; IMF Staff calculations  
Note: Series represents loans and advances of Commercial Banks, Merchant Banks and Building Societies -- net of provisions. Significant increase (decrease) in Jun. 2016 (Jul. 2017) reflects the effects of a single large loan for a corporate acquisition.

*...as lending rates have declined alongside lower policy rates.*

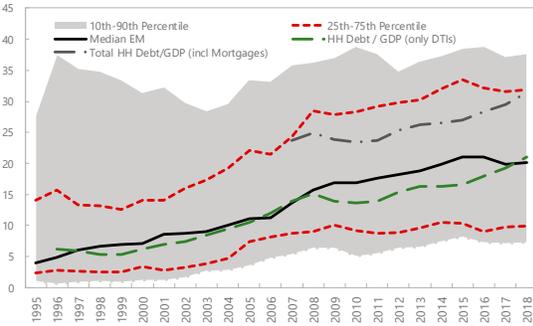
**Interest Rates**  
(in percent)



Sources: BOJ; IMF Staff calculations

*Household indebtedness has increased, but at a pace that is broadly in line with EM peers.*

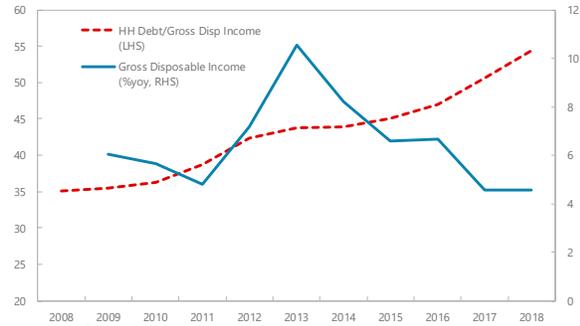
**Global EM: HH Debt to GDP**  
(in percent)



Sources: BOJ; IMF Staff calculations

*Household income growth is weakening, leaving some borrowers vulnerable to debt servicing risks.*

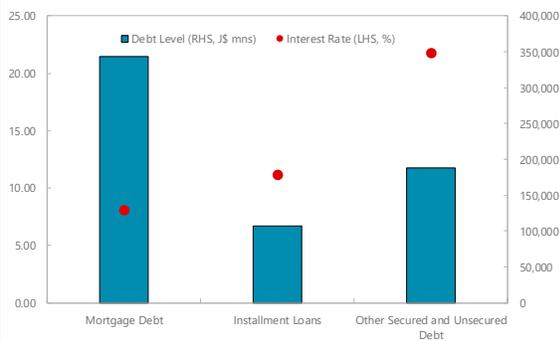
**Disposable Income and Debt Servicing Capacity**



Sources: BOJ; IMF Staff calculations  
Note: Adjusted disposable incomes excludes remittances

*Mortgage debt forms the largest portion of household debt, although high interest rates on other loans may put strains on borrowers.*

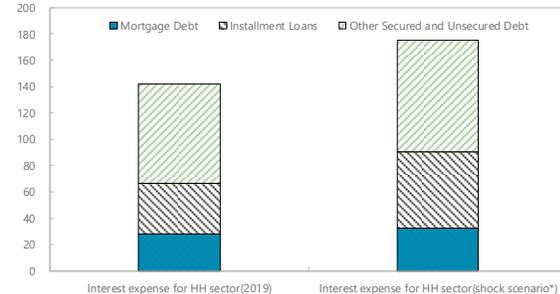
**HH Debt Distribution and Interest Rates**



Sources: BOJ; IMF Staff calculations

*Household interest spending could jump by 25 percent if lending rates were to return to their 10-year average.*

**HH Interest Expense**  
(J\$ bns)



Sources: BOJ; IMF Staff calculations  
Note: Shock scenario assumes interest rates normalize to 10-year average

# STRONG PROGRAM PERFORMANCE

## 11. Program performance has remained excellent.

- All end-June quantitative performance criteria and indicative targets were met. The primary surplus exceeded the program target by about J\$19 billion (0.9 percent of GDP), buoyed by GCT and international trade taxes. Capital expenditures, while underperforming to date due to delays in a major road project, are expected to match budget targets by the end of the fiscal year. Non-borrowed reserves were US\$385 million above the end-June target, reflecting robust tourism and reduced FX sales to public entities.
- Structural reforms are progressing on several fronts, but some key measures remain incomplete. In particular, there are delays with respect to tabling the legislation to establish a fiscal council and a special resolution regime for financial institutions, due to the need to build stakeholder support and, in part, due to capacity constraints. There are also delays in advancing the improvements in the public sector performance management and compensation frameworks.

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

	end-June 2019				PC Status end-June 2018
	PCs	Adjusted PCs	Actual	Difference	
<b>Fiscal targets</b>					
<i>Performance Criteria</i>					
1. Primary balance of the central government (floor) 3/	19.0	19.0	37.9	18.9	Met
2. Overall balance of the public sector (floor) 3/	-14.0	-14.0	18.0	32.0	Met
3. Net increase in the central government guaranteed debt (ceiling) 3/	0.0	0.0	-1.4	1.4	Met
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	0.0	-7.4	7.4	Met
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	0.0	-14.4	14.4	Met
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0	0.0	Met
<i>Indicative targets</i>					
7. Tax revenues of the central government (floor) 3/	115.0	115.0	137.4	22.4	Met
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	22.0	22.0	11.0	11.0	Met
9. Central government spending on social programs (floor) 3/ 7/	6.7	6.7	11.0	4.3	Met
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	3.0	1.5	1.5	Met
<b>Monetary targets</b>					
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2250	2,202	2,587	385	Met
12. Monetary policy consultation clause (in percent) 12/					
Outer band (upper)	6.0				
Center inflation target	5.0				
Inner band (lower)	4.0		4.2	0.2	Met
Outer band (lower)	2.5				

1/ Targets as defined in the Technical Memorandum of Understanding (TMU).

2/ Based on program exchange rates defined in the TMU.

3/ Cumulative flows from April 1 through March 31.

4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.

5/ Includes tax refund arrears as stipulated by law.

6/ In millions of U.S. dollars.

7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU).

8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU.

9/ Continuous performance criterion.

10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears.

11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.

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

## POLICY DISCUSSIONS

### A. Safeguarding Fiscal Gains

**12. FY2019/20 budget on track.** Tax revenues are expected to modestly over-perform on top of an already improved baseline, and the Alpart shutdown is not expected to have a broader impact on revenues (given the current exemptions and the limited spillovers to the broader economy). The supplementary budget tabled in September maintains the primary surplus target of 6.5 percent, with a modest increase in social spending and a reallocation of spending among capital projects.

**13. Continued fiscal discipline is critical as Jamaica exits the SBA.** There is no scope for policy reversals that undermine the fiscal discipline and debt reduction. While the hard-earned public debt reduction during the last six years provided room to lower the primary surplus in FY19/20, debt remains high (94 percent of GDP) and there is no room for complacency. Sustained effort is needed to achieve the debt target of 60 percent of GDP by FY25/26 enshrined in the Fiscal Responsibility Law (FRL). As such, fiscal policy should: (i) avoid expanding discretionary and legislative tax incentives; (ii) prioritize spending to improve the social safety net and invest in health and education infrastructure; (iii) increase anti-crime spending and investments in transportation infrastructure; and (iv) prevent the accumulation of domestic arrears. There remains scope also to divest public enterprises.

**14. Containing fiscal risks requires building credible institutions.** Following cabinet approval of the design of the planned fiscal council, drafting of the corresponding legislation has begun amid a crowded legislative calendar and tight capacity constraints. As an interim measure—until the fiscal council is operational—the GOJ signed a Memorandum of Understanding with the Economic Programme Oversight Committee (EPOC) to monitor progress against quantitative targets and reform measures established by the GOJ, similar to those under a Fund-supported program (LOI Attachments I and II).

**15. Operations and governance of public bodies need to be strengthened.** Specifically:

- The soon-to-be-tabled regulations—that address the nomination, selection and appointment of persons to boards of public bodies—will help improve transparency, accountability, and governance.
- The Petrojam Review Committee’s report highlighted several shortcomings in governance structure, operational performance, and pricing mechanism (Box 2). In staff’s view, medium-term options for Petrojam include:
  - (i) keeping the refinery open but replacing the Customs Administration Fee (CAF) margin and ad-hoc price adjustments with a transparent direct budget transfer to Petrojam; or
  - (ii) divesting the refinery, which also involves a decision whether to retain or phase out the CAF margin and ad-hoc price adjustments; or
  - (iii) closing the refinery. Option (iii) may have one-off growth and modest job effects. At the minimum, any GOJ action

should enhance transparency by establishing automatic pricing reflecting import prices, with any implicit fiscal transfer recorded transparently on-budget and with a sunset date.

- The GOJ is also examining changes to the fuel pricing mechanism that would ensure transparent medium-term pass-through of global fuel prices to domestic retail prices while smoothing volatility and delinking fuel pricing from Petrojam's profitability. GOJ should also monitor the implementation of an automatic pricing mechanism and address potential distributional issues.

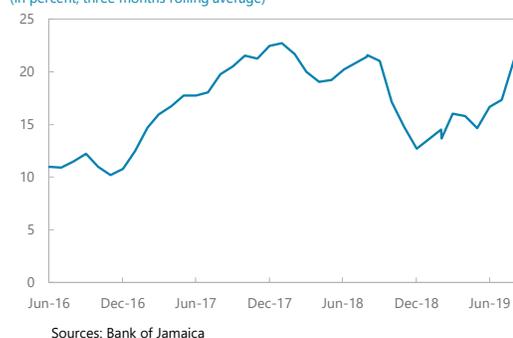
**16. Further improvements to public financial management should continue.** The revenue authorities should complete risk-based audits and continue their strong administration to prevent tax leaks from Special Economic Zones. The authorities have made good progress in closing commercial bank accounts, mainly held by schools, with 644 out of over 3000 accounts closed since June 2019; efforts should continue to prevent the potential misuse of government resources while improving transparency and accountability.

**17. Reorienting the functions and compensation framework of the public sector remains a critical, unfinished area of reform.** While 16 additional public bodies have been merged or closed, the overall pace of public sector transformation has been slow, generating little fiscal savings or operational efficiencies. Real transformation will require a clear system of performance-based compensation for public employees, a streamlining and scaling back of the complex system of allowances, and prioritization of key government services. This will inevitably lead, over time, to a reduction in the size of the public workforce.

## B. Inflation Targeting and Enhancing Monetary and FX Operations

**18. A pause in further policy rate cuts is appropriate given that inflation is gradually picking up and there is already abundant liquidity in the system.** The BOJ cut the policy rate by 25bps in August to support credit creation, entrench inflation firmly within the target range, and fend off looming global risks. Given the rising and high level of excess reserves held by banks, and the fact that monetary and fiscal stimulus are already in the pipeline, the BOJ should maintain rates at current levels and continue to assess the impact of the loosening that has already occurred. However, the BOJ should continue to communicate an easing bias insofar as inflation outcomes and forecasts remain below the mid-point of the target range (staff's current forecasts suggest that, at current policy rates, the balance of risks is for inflation to be below the mid-point of the target range over the next 2 years). Certainly, if the inflation outlook were to weaken further, the BOJ should be prepared to use both policy rates and reserve requirements to provide additional stimulus.

**Commercial Bank Excess Liquidity to Total Liquidity**  
(in percent; three months rolling average)



**19. Monetary transmission needs further strengthening.** Aiding this would require steps to modernize the regulatory and market environment including: (i) introducing a monthly averaging of

reserve requirements, and (ii) replacing the liquid asset ratio requirement with a more internationally comparable liquidity coverage ratio (LCR). Developing domestic debt markets by effectively meeting the demand for liquid assets, improving the efficiency of the primary dealer system, and facilitating creation of investible securities would support secondary market activity and improve liquidity management.

**20. Central bank FX intervention should be limited to flash auctions when there are clear disruptions in market functioning.** The central bank's reserve accumulation objectives should govern its FX market purchases, which should be undertaken transparently, in small amounts, and through regular auctions that minimize the impact on the currency. Exchange rate flexibility should continue to be maintained with FX sales by the central bank confined to providing liquidity to the market in times of disorderly market conditions.

**21. The BOJ should continue to scale back its footprint in the FX market.** Having recently adopted the global FX code of conduct, the BOJ should oversee its appropriate implementation to help promote market integrity and improve the effectiveness of the wholesale FX market. The BOJ sporadically reduced its direct FX sales to Petrojam during May and June; looking ahead, it should aim to have all public entities purchase their FX needs in the market while, in parallel, progressively lowering FX surrender requirements. The BOJ should take steps to facilitate the careful sequencing and development of a FX forwards market including by championing an education campaign and working with large and frequent FX buyers such as Petrojam to put in place the requisite legal and regulatory frameworks. Finally, the BOJ should introduce prudential regulations that limit FX net open positions and improve the monitoring and enforcements of these limits.

### C. Enhancing Resilience of the Financial Sector

**22. The ongoing expansion in lending to households highlights the need for better data to assess credit risks.** The increase in private credit growth over past few years has been driven largely by growth in consumer loans but the lack of detailed household lending data prevents the effective monitoring of risks associated with such lending. Expanding data collection would help improve the assessment and management of household lending risks and facilitate the eventual rollout of macroprudential policies. Supervision of regulated credit institutions as well as expanding the regulatory perimeter to include the currently unregulated micro-credit sector is necessary.

**23. Further strengthening financial sector oversight and safety nets is important, in line with the FSAP recommendations.** The immediate priorities are to:

- Build capacity to undertake risk-based, consolidated supervision of financial conglomerates—which play an increasingly dominant role in the sector—that will require better coordination between the BOJ and FSC (including for data collection and sharing).
- Finalize comprehensive legislation for a Special Resolution Regime that has (i) an administrative resolution regime, (ii) a specialized insolvency framework, and (iii) funding modalities in the event of the resolution of financial intermediaries.

- Strengthen the AML/CFT regime by implementing the recommendations from the CFATF 2017 Mutual Evaluation Report (progress report discussions will take place in early 2020). In particular this would involve: (i) completing a second National AML/CFT Risk Assessment; (ii) improving coordination across the relevant agencies involved with AML/CFT oversight and enforcement, and (iii) passing key legislative amendments to the Proceeds of Crime Act and Terrorism Prevention Act; (submission to Parliament is expected before end-year).

## D. Achieving Inclusive Growth

### 24. Addressing key structural impediments to growth could unlock private investment and help achieve higher sustained, inclusive, and resilient growth (Box 1).

- **Tackling poverty will require even more effective social spending.** The GOJ has, in recent budgets, significantly increased allocations to the country's main social assistance program (PATH). Drawing on the World Bank's ongoing public expenditure review of social spending, increases could be considered particularly for the elderly poor and greater PATH coverage. Also, high levels of rural poverty could be mitigated by improving agricultural resilience to shifting weather patterns ([2018 Article IV report](#)) including through investments in irrigation, farm roads, and storage facilities. Extending linkages with the tourism industry could boost rural incomes.
- **Collaboration between the public and private sectors to improve financial inclusion and SME lending is a welcome development.** These efforts could be bolstered by: (i) passing the Microcredit legislation that is currently in Parliament and tabling and passing Credit Union legislation (to standardize the licensing and supervision of all DTIs); (ii) improving data sharing among credit bureaus, (iii) expediting land titling legislation to provide collateral for lending; and (iv) improving banking competition through digitization that would enable account portability and streamlined Know Your Customer (KYC).

## DATA ISSUES

**25. Jamaica is close to meeting Special Data Dissemination Standards (SDDS) subscription requirements.** Publishing a production index, data on wages and earnings, and general government operations are still outstanding, which may be feasible in 2020.

**26. Ongoing work to strengthen data quality and timeliness should continue.** Recent large revisions to current account data underscore the need for better collection and coordination among data providers. BOJ should continue upgrading its capacity and statistical methods to align with the 2016 Monetary and Financial Statistics Manual and Compilation Guide, and coordinate closely with the FSC to produce consistent data on nonbank entities. Improving STATIN's capacity, including routine publication of quarterly expenditure GDP figures, will help better inform policymaking. Finally, the Ministry of Finance should also consider fully upgrading its Government Financial Statistics from the 1986 and 2001 standards.

## PROGRAM MODALITIES AND OTHER ISSUES

**27. The program is fully financed and Jamaica’s capacity to repay the Fund is adequate.** While the SBA has remained precautionary, under a downside scenario with a fully drawn SBA, debt service would peak in 2023 at 19 percent of exports of goods and services (7 percent of GDP). If undrawn, debt service would peak at 3.5 percent of exports (1 percent of GDP).

## STAFF APPRAISAL

**28. Jamaica should be commended for the broad range of difficult reforms it has undertaken under two consecutive IMF-supported programs.** With significant sacrifices by the Jamaican people to imbed fiscal discipline, Jamaica’s public debt has fallen dramatically, the unemployment rate is at an all-time low, the current account deficit and inflation are subdued, and FX reserves are comfortable. In addition, improved oversight of the financial system and a reshaping of the securities dealers’ industry has lessened vulnerabilities. Growth has proved resilient, albeit at lower-than-expected rates and poverty remains high. Across two administrations, Jamaica has demonstrated an exemplary track record in fulfilling its program objectives and policy commitments. Jamaica is on-track to meet the 60 percent of GDP debt target by FY25/26 that is specified in the Fiscal Responsibility Law and continuing liability management operations should help smooth out future amortizations and reduce fiscal financing risks. Monetary policy remains firmly geared toward bringing inflation to the mid-point of the BOJ’s target band and a flexible exchange rate is becoming steadily entrenched within the country’s policy framework.

**29. The government of Jamaica is strongly committed to maintaining its policy discipline once the Fund-supported Stand-By Arrangement expires.** Staff welcomes the signing of a memorandum of understanding by the GOJ with the EPOC to ensure continued public accountability for and oversight of the government’s economic policy commitments. This will provide an important bridge while the planned fiscal council is made fully operational. This structure of civil society oversight signals the maturity, confidence, and ownership in policymaking that is a lasting legacy of the EFF and SBA. Looking ahead, completing the work on building domestic institutions—including by putting in place an effective fiscal council, an independent central bank, and a well-functioning governance framework for public bodies—will help fully institutionalize the gains made in the past several years.

**30. Supply side reforms have advanced, but efforts should continue to promote inclusive growth and reduce poverty.** A meaningful transformation of the public sector that prioritizes government functions and redesigns public sector compensation needs to be at the top of the government’s agenda. This will necessarily entail tough choices and will require garnering broad social consensus. In addition, policies to support productivity-enhancing investment in human and physical capital will be essential including continuing to tackle crime; strengthening governance and reducing vulnerabilities to corruption; accelerating reforms to land-titling, factoring and leasing; expanding digital banking to foster greater financial inclusion; investing in disaster resilience, particularly in the agricultural sector; and expanding coverage of the social safety net. These reforms will support private sector development and generate further investment opportunities in Jamaica.

**31. The increasing complexity and interconnectedness of the financial sector warrants further efforts to improve oversight.** Significant progress has been achieved in safeguarding financial stability. However, the growing complexity and regional interconnectedness of the financial sector calls for enhanced group-wide supervision and resources devoted to it, better data gathering and analytics, greater coordination among financial regulators, an improved legislative framework for the resolution of financial intermediaries, and further investments in AML/CFT capabilities.

**32. Staff supports the authorities' request to approve the retention of the multiple currency practice (MCP).** Jamaica continues to implement a multiple-price FX auction system, developed with IMF technical assistance, that gives rise to MCPs. The IMF's Executive Board approved its temporary retention until November 4, 2019 for non-BOP reasons, i.e., the measure is temporary and does not: (i) materially impede Jamaica's BOP adjustment; (ii) nor harm the interests of other members; (iii) nor discriminate among members. On the same basis, staff recommends MCP retention for an additional 12-month period from the date of the decision to complete this review.

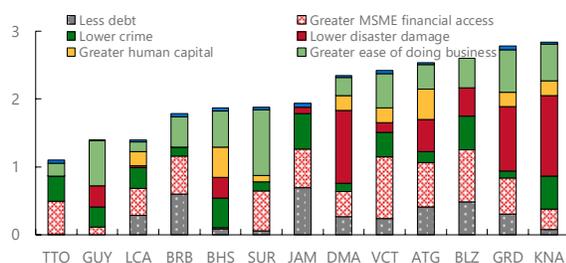
**33. Based on the program performance and authorities' policy commitments, staff supports the authorities request to complete the sixth review under the SBA.** The next Article IV under the 24-month cycle is planned for March 2020, beyond which staff recommends returning to a standard 12-month Article IV cycle.

### Box 1. Promoting Inclusive Growth

Structural rigidities such as crime, low financial inclusion, poor infrastructure, weak governance, and vulnerability to weather-related events are constraining Jamaica's growth potential. Lowering these constraints could yield significant medium-term growth payoffs.

- Violent crime reduces productivity and competitiveness, and diverts resources from other spending priorities.** Jamaica's homicide rate is one of the highest in the world and the costs of addressing crime divert public and private resources from other growth-enhancing investments. Crime also disproportionately affects the young (both as perpetrators and victims of crime) which fuels school absenteeism and prevents the needed accumulation of education and skills ([IMF Country Report No. 18/103](#)). Staff calculations point to a significant growth payoff (of around 0.5 percent) from lowering crime to the world average.
- Ancillary costs of ensuring children remain in school are often prohibitive for poor households.** Sending a child to school can include purchasing books, transportation, lunch, uniforms and exam fees which can add up to 40 percent of the per capita consumption of a poor household. These costs can prevent children from attending school. It is concerning that only three-quarters of children in the bottom income quintile attended at least 19 days of school per month (compared to 94 percent of children in the top quintile). There is scope to expand coverage under the social assistance program (PATH) and allocate resources for the educational costs of children in PATH-eligible households.
- Small and medium-sized enterprises (SMEs) face inadequate access to finance.** The 2017 IFC Enterprise Finance Gap database suggests that unmet demand for credit by both formal and informal SMEs is around 20 percent of GDP. Financing constraints faced by Jamaican SMEs are around 18ppts higher than the Caribbean average. In addition, the availability of SME financing is constrained by gaps in the regulatory environment (e.g. factoring, leasing, and a working framework for pledging collateral) and in the financial infrastructure (e.g. well-functioning credit bureaus, land titling, financial literacy programs, etc.). Anecdotally, it appears that micro-enterprises face less-binding financing constraints but are able to achieve this only by relying on high-cost, non-traditional lenders or drawing on personal and credit-card loans. Staff calculations suggest that closing the SME financing gap identified by the IFC could raise medium-term growth by 0.5 percent.
- Agricultural productivity is undermined by poor rural infrastructure and insufficient access to finance.** Poor road infrastructure and irrigation makes the agricultural sector highly vulnerable to recurring weather events. Also, the lack of adequate storage facilities increases crop losses. Nearly two-thirds of Jamaica's smaller land parcels remain untitled, preventing small farmers from pledging their land as collateral to secure credit. Greater investments in rural road networks, irrigation, water delivery, and modernizing farming practices would have large potential payoffs in activity, while lessening financing constraints would allow farmers to make investments in machinery and irrigation thereby improving resilience and increasing productivity.

**Resolving Structural Constraints: Illustrative Growth Gains**  
(percentage points per year; deviation from baseline)



Sources: IMF staff estimates

Note: Results are based on regression coefficients (excluding outliers) as noted in Table 2.3 in Chapter 2 of *Unleashing Growth and Strengthening Resilience in the Caribbean* (IMF 2017). Human capital impact estimates are limited by data availability and quality of brain drain proxies.

## Box 2. Fuel Pricing Mechanism

**Retail fuel prices are higher in Jamaica than most other countries in the Central American and Caribbean regions** by about 16-30 percent on average. The higher fuel prices are on par with countries that also operate refineries such as Cuba and Dominican Republic. Increases in fuel Special Consumption Taxes (SCT) have contributed to higher retail fuel prices since 2015, even though the overall tax burden is broadly comparable to other countries ([Petrojam Review Committee report, 2019](#)). The differences between retail prices in Jamaica and peer countries are in large part due to various non-transparent margins to help the viability of refining against imported products.

**Current fuel pricing is complex and opaque.** Although retail fuel prices are market determined, Petrojam is the price maker given it is the largest fuel supplier and the only source to quote the refinery billing price (RBP). It owns a refinery for importing crude oil and a terminal for other finished products, both of which are operationally intertwined. The RBP is based on import crude prices at Cost, Insurance and Freight (CIF) plus taxes, terminal and rack fees, and an ad-hoc adjustment factor for each product.

**Two types of pricing margins set by Petrojam seem to support its refining activity at the expense of higher retail fuel prices (PRC, 2019).** During FY2014-18, the average price differential between pre-tax sales price and CIF cost for gasoline was about US\$16 per barrel. Much of the price differential for refined products (e.g., auto diesel and LPG) was attributed to (i) a Custom Administration Fee (CAF) equivalent margin—the difference between the CAF paid on imported products and that paid for imported crude oil—of about J\$3.1 per liter; and (ii) other ad-hoc time-dependent adjustments, including an unspecified smoothing scheme claimed to mitigate FX and oil price volatility. However, this smoothing scheme exceeded zero over time and contributed to up to half of Petrojam’s gross margin during FY2014-18, implying that the pricing mechanism is unusually linked to the refinery’s profitability. Absent the ad-hoc adjustments, Petrojam’s average net loss could be about US\$10 million rather than a profit of US\$36 million per year during FY2014-18.

**Transparent fuel pricing is necessary, while mitigating the volatility from global oil cycles.** In principle, a transparent fuel pricing mechanism should be automatic, ensure a full pass-through of global fuel prices to domestic retail prices over the medium-term, while smoothing the volatility of fuel prices and protecting fiscal revenues ([IMF 2012](#)). Common smoothing mechanisms include moving averages (MA) and percentage band limits. Two smoothing scenarios are considered on auto diesel fuel: scenario 1 considers keeping the CAF equivalent margin; scenario 2 phases it out. Both have a 3-month MA on global crude oil prices and a reduction in the ad-hoc adjustment component by half (Box Table). Both fuel pricing mechanisms reduce the volatility of pump prices and tax revenues, while ensuring more symmetric pass-through of increases and decreases of oil prices over the medium term (Table). The two scenarios also have varying fiscal implications depending on whether the CAF differential is retained by the government.

### An Illustration of Fuel Pricing Mechanisms

Indicators 1/	Complete pass-through	Historical actual level	Scenario 1	Scenario 2
<b>Retail diesel fuel prices</b>				
Average prices	133	133	129	120
Standard deviation	24	17	16	15
Coefficient of variation	0.3	0.1	0.1	0.1
Absolute average monthly change	6.6	2.7	2.6	2.8
Largest rise in single month	21.9	15.0	14.0	14.1
Largest cumulative rise in 3 months	32.0	17.9	17.5	17.4
<b>Fiscal implications 2/</b>				
Standard deviation of ad-valorem taxes	n.a.	1.5	1.5	1.4
Petrojam profitability relative to actual historical levels (in percent) 2/	n.a.	100	63	21

Sources: Government of Jamaica, Petrojam review committee, and IMF staff estimates.

1/ Calculations are based on the average over the period 2014-18.

2/ Independent of divesting or keeping the refining activity in Petrojam.

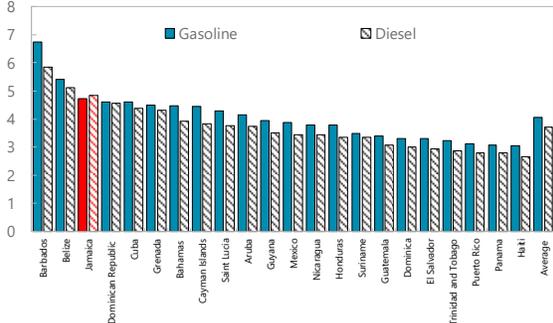
3/ Two illustrative scenarios are presented. Scenario 1 keeps the CAF equivalent margin, while Scenario 2 phases out CAF equivalent margin. Both consider a 3-month moving average on global crude oil prices and more transparent smoothing mechanism.

**Policy considerations should strike a balance between efficiency, transparency, and fiscal risks.** An automatic transparent fuel pricing mechanism can help ensure medium-term pass-through of global fuel prices and help smooth out sharp changes in retail prices. Specifying a pricing formula linking retail prices and import costs, and a timeline for updating the pricing components (e.g., import cost on a monthly basis and a review every 3-5 years) provides transparency on when and how retail fuel prices change.

### Box 2. Fuel Pricing Mechanism (Concluded)

#### Regional Fuel Prices at the Pumps

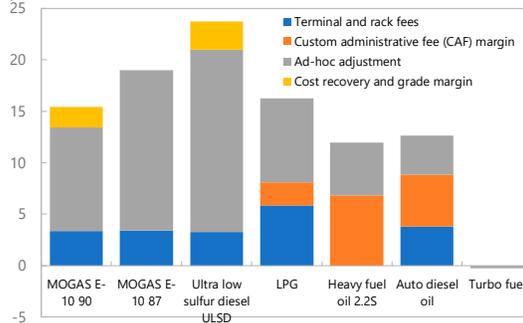
(US\$ per gallon)



Sources: Government of Jamaica, Petrojam Review Committee, and IMF staff estimates.

#### Price Differential Between Sales Price and CIF Cost

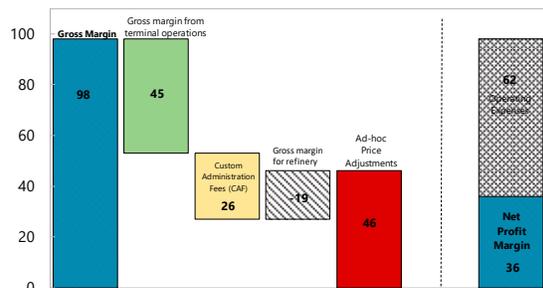
(in percent of Sales Price)



Sources: Jamaican authorities and IMF staff estimates.

#### Composition of Profit Margin at Petrojam

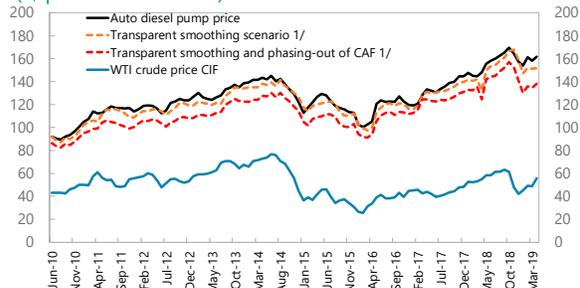
(US\$ million per year average over FY2014-18)



Sources: Petrojam and Government of Jamaica. Note: Breakdown between refinery and terminal based on Petrojam Review Committee report.

#### Fuel Prices under Alternative Pricing Mechanisms

(J\$ per liter auto diesel)



Sources: Government of Jamaica, Petrojam financial statements, and IMF staff estimates. 1/ Transparent smoothing assumes the WTI crude price at CIF and a one-half reduction of ad-hoc adjustment in the Petrojam margin. The second scenario further assumes an exit from refining activity and the custom administration fee (CAF) is phased out completely.

**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\$4957  
 Literacy rate (2015)/Poverty rate (2017): 87%/19.3%  
 Unemployment rate (April 2019): 7.8%

	2016/17	2017/18	Est. 2018/19	Prog. 2019/20	Projections					
					2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
(Annual percent change, unless otherwise indicated)										
<b>GDP and prices</b>										
Real GDP	1.4	1.0	2.0	1.5	0.8	1.1	1.9	2.0	2.1	2.2
Nominal GDP	5.9	7.8	6.5	6.2	4.9	5.8	6.6	6.8	7.2	7.3
Consumer price index (end of period)	4.1	4.0	3.4	4.3	4.7	4.5	4.7	4.8	5.0	5.0
Consumer price index (average)	2.4	4.6	3.3	4.2	4.4	4.6	4.6	4.8	4.9	5.0
Exchange rate (end of period, J\$/US\$)	128.7	126.0	126.5	...	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	126.5	128.0	130.6	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	5.4	-2.1	0.4	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-2.6	3.2	2.2	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	6.3	5.1	2.2	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	6.1	5.1	2.2	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	12.7	9.7	8.0	...	...	...	...	...	...	...
(In percent of GDP)										
<b>Government operations</b>										
Budgetary revenue	28.0	29.1	30.6	29.4	29.4	29.1	29.0	29.0	29.0	29.0
<i>Of which:</i> Tax revenue 4/	25.7	25.8	26.4	26.3	26.4	26.2	26.3	26.4	26.5	26.7
Budgetary expenditure	28.2	28.6	29.4	29.2	29.3	28.6	28.3	27.9	27.2	27.6
Primary expenditure	20.4	21.6	23.2	23.0	23.0	22.6	22.5	22.5	22.5	23.0
<i>Of which:</i> Wages and salaries	9.3	9.2	8.9	9.0	9.0	8.8	8.8	8.8	8.8	8.7
Interest payments	7.8	7.0	6.3	6.3	6.3	6.1	5.8	5.4	4.8	4.6
Budget balance	-0.2	0.5	1.2	0.2	0.2	0.4	0.7	1.1	1.7	1.4
<i>Of which:</i> Central government primary balance	7.6	7.5	7.5	6.5	6.5	6.5	6.5	6.5	6.5	6.0
Public entities balance 8/	2.0	0.6	0.6	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	1.8	0.2	0.0	0.4	0.7	1.1	1.7	1.4
Public debt (FRL definition) 4/ 6/	113.7	101.3	94.4	93.3	93.5	88.3	82.2	76.1	69.9	64.2
Public debt (EFF definition) 5/ 7/	121.7	109.4	101.1	96.1	95.8	90.2	84.1	77.2	70.7	64.9
<b>External sector</b>										
Current account balance	-1.2	-3.0	-2.2	-2.9	-2.5	-2.1	-2.4	-2.8	-3.0	-3.1
<i>Of which:</i> Exports of goods, f.o.b.	8.8	9.9	12.4	10.1	10.3	9.3	9.8	10.2	10.1	10.1
Exports of services	15.7	14.2	14.0	14.9	14.9	15.2	14.4	14.0	13.8	13.6
Imports of goods, f.o.b.	30.1	33.8	35.5	33.6	33.4	31.7	31.7	31.7	31.4	31.0
Imports of services	21.2	20.6	20.6	22.6	22.5	23.4	22.6	22.1	21.7	21.2
Net international reserves (US\$ millions)	2,769	3,075	3,085	3,155	3,134	3,522	3,627	3,744	3,573	3,422
<i>of which:</i> non-borrowed	1,944	2,398	2,634	2,825	2,834	3,236	3,481	3,619	3,556	3,405
(Changes in percent of beginning of period broad money)										
<b>Money and credit</b>										
Net foreign assets	0.4	12.8	0.1	7.5	4.3	7.0	3.0	3.5	-0.4	-0.2
Net domestic assets	20.3	6.1	11.5	-1.3	0.6	-1.3	3.6	3.4	7.6	7.5
<i>Of which:</i> Credit to the private sector	26.5	14.8	12.3	8.4	8.8	8.7	10.0	11.8	12.4	13.2
Credit to the central government	-0.4	5.6	4.7	3.4	6.3	-1.7	0.1	0.0	0.1	0.6
Broad money	20.7	18.9	11.6	6.2	4.9	5.8	6.6	6.8	7.2	7.3
<b>Memorandum item:</b>										
Nominal GDP (J\$ billions)	1,788	1,927	2,053	2,160	2,155	2,279	2,429	2,596	2,781	2,985

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

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

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

3/ As of January 31.

4/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF

definition is the exclusion of debt to the IMF held by the BoJ.

5/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013

6/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17. A backward series is not

7/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt.

The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.

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

**Table 2. Jamaica: Summary of Central Government Operations**  
(In millions of Jamaican Dollars)

	2016/17	2017/18	Est.	Prog.	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			2018/19	2019/20						
Budgetary revenue and grants	499,880	560,773	628,849	635,520	634,361	662,465	705,622	753,925	805,646	866,091
Tax	460,264	497,022	542,919	567,175	569,313	596,899	639,088	686,379	737,036	796,369
<i>Of which:</i>										
Income and profits	136,025	131,111	143,519	160,217	159,780	164,001	176,558	190,353	204,920	222,632
<i>Of which: Other companies</i>	51,791	61,507	61,323	70,167	70,772	74,853	82,178	90,437	99,814	110,324
PAYE	64,955	53,662	58,037	64,273	63,631	66,628	71,017	75,878	81,306	87,249
Production and consumption	147,937	175,339	190,846	192,793	193,734	204,572	216,803	231,175	247,322	264,301
<i>Of which: GCT (Local)</i>	78,175	90,817	100,695	109,314	110,113	116,366	123,711	131,838	141,008	150,839
International Trade	171,189	186,814	204,503	210,176	211,630	223,916	241,029	259,832	279,417	303,668
<i>Of which: GCT (Imports)</i>	73,735	78,925	87,202	88,901	89,447	95,352	103,201	110,999	119,642	131,345
Non-tax 1/	34,323	58,137	75,382	62,709	60,048	60,277	60,896	61,522	62,155	62,795
Grants	5,293	5,614	10,547	5,636	5,001	5,289	5,638	6,024	6,455	6,927
Budgetary expenditure	503,356	552,050	604,597	631,192	630,752	652,327	687,453	725,436	757,654	824,037
Primary expenditure	364,000	416,869	475,409	496,201	495,350	514,321	547,719	585,213	624,864	687,017
Compensation of employees	179,068	192,284	200,125	210,521	210,661	221,533	230,879	246,683	264,330	280,430
Wage and salaries 6/	166,485	177,366	183,506	194,028	194,593	205,123	213,777	228,410	244,750	259,657
Employer contributions	12,583	14,917	16,620	16,492	16,067	16,410	17,102	18,273	19,580	20,773
Programme expenditure	142,976	177,779	209,080	213,454	212,406	217,575	234,244	245,090	257,627	293,174
Capital expenditure	41,955	46,806	66,204	72,226	72,284	75,212	82,596	93,440	102,906	113,413
Interest	139,356	135,181	129,188	134,992	135,401	138,007	139,734	140,223	132,789	137,020
Domestic	63,544	63,783	51,026	52,630	52,279	52,149	53,258	53,543	50,253	52,178
External	75,812	71,398	78,162	82,361	83,123	85,857	86,476	86,680	82,537	84,843
Budget balance	-3,476	8,723	24,251	4,328	3,609	10,138	18,169	28,489	47,992	42,053
<i>Of which: Primary budget balance</i>	135,880	143,904	153,439	139,319	139,011	148,145	157,903	168,712	180,782	179,074
Public entities balance 7/ 8/	36,263	11,394	12,441	0	-3,500	0	0	0	0	0
Public sector balance	32,787	20,117	36,692	4,328	109	10,138	18,169	28,489	47,992	42,053
Principal repayments	75,390	232,290	132,990	140,930	270,168	181,646	149,761	128,132	175,358	206,569
Domestic	29,710	168,628	80,008	79,328	76,399	125,862	65,634	56,995	80,353	99,185
External	45,680	63,662	52,982	61,602	193,769	55,784	84,127	71,137	95,004	107,383
Gross financing needs 9/	78,866	223,567	140,139	161,624	288,659	196,508	131,592	99,643	127,365	164,515
Gross financing sources	78,511	230,675	140,093	161,624	288,659	196,508	131,592	99,643	127,365	164,515
Domestic	69,757	89,311	70,015	78,890	116,038	136,808	85,185	55,507	85,992	112,362
<i>Of which: compensatory flows from PCDF 8/</i>	18,463	15,008	14,920	18,463	18,463	4,435	4,695	22,112	14,224	13,370
External	34,157	133,383	34,760	57,734	139,021	59,700	46,406	44,135	41,373	52,153
<i>Of which: Official</i>	31,651	28,227	33,530	56,401	29,844	58,369	44,988	42,819	39,889	38,822
Divestment + deposit drawdown	-25,403	7,981	3,918	25,000	33,600	0	0	0	0	0
<b>Memorandum items:</b>										
Nominal GDP (billion J\$)	1,788	1,927	2,053	2,039	2,155	2,279	2,429	2,596	2,781	2,985
Public sector debt (FRL definition, billion J\$) 2/ 4/	2,033	1,952	1,938	2,030	2,014	2,013	1,997	1,975	1,943	1,917
Public sector debt (EFF definition, billion J\$) 3/ 5/	2,177	2,109	2,076	2,157	2,064	2,055	2,042	2,005	1,967	1,938

Sources: Jamaican authorities and Fund staff estimates and projections.

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

2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BoJ.

3/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013

4/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17.

A backward series is not available since consistent data on public bodies' debt holdings is not available prior to FY16/17.

5/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt. The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.

6/ Includes base wage and backpay.

7/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17.

A backward series is not available since consistent data on public bodies' debt holdings is not available prior to FY16/17.

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

9/ Gross financing needs include the recapitalization of the central bank for FY2018/19 through FY2020/21.

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

	2016/17	2017/18	Est.		Prog.		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			2018/19	2019/20								
Budgetary revenue and grants	28.0	29.1	30.6	29.4	29.4	29.1	29.0	29.0	29.0	29.0	29.0	29.0
Tax	25.7	25.8	26.4	26.3	26.4	26.2	26.3	26.4	26.5	26.5	26.5	26.7
<i>Of which:</i>												
Income and profits	7.6	6.8	7.0	7.4	7.4	7.2	7.3	7.3	7.4	7.4	7.4	7.5
<i>Of which: Other companies</i>	2.9	3.2	3.0	3.2	3.3	3.3	3.4	3.5	3.6	3.6	3.6	3.7
PAYE	3.6	2.8	2.8	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Production and consumption	8.3	9.1	9.3	8.9	9.0	9.0	8.9	8.9	8.9	8.9	8.9	8.9
<i>Of which: GCT (Local)</i>	4.4	4.7	4.9	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
International Trade	9.6	9.7	10.0	9.7	9.8	9.8	9.9	10.0	10.0	10.0	10.0	10.2
<i>Of which: GCT (Imports)</i>	4.1	4.1	4.2	4.1	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.4
Non-tax 1/	1.9	3.0	3.7	2.9	2.8	2.6	2.5	2.4	2.2	2.2	2.1	2.1
Grants	0.3	0.3	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Budgetary expenditure	28.2	28.6	29.4	29.2	29.3	28.6	28.3	27.9	27.2	27.2	27.2	27.6
Primary expenditure	20.4	21.6	23.2	23.0	23.0	22.6	22.5	22.5	22.5	22.5	22.5	23.0
Compensation of employees	10.0	10.0	9.7	9.7	9.8	9.7	9.5	9.5	9.5	9.5	9.5	9.4
Wage and salaries 6/	9.3	9.2	8.9	9.0	9.0	9.0	8.8	8.8	8.8	8.8	8.8	8.7
Employer contribution	0.7	0.8	0.8	0.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Programme expenditure	8.0	9.2	10.2	9.4	9.9	9.5	9.6	9.4	9.3	9.3	9.3	9.8
Capital expenditure	2.3	2.4	3.2	3.3	3.4	3.3	3.4	3.6	3.7	3.7	3.7	3.8
Interest	7.8	7.0	6.3	6.3	6.3	6.1	5.8	5.4	4.8	4.8	4.8	4.6
Domestic	3.6	3.3	2.5	2.4	2.4	2.3	2.2	2.1	1.8	1.8	1.8	1.7
External	4.2	3.7	3.8	3.8	3.9	3.8	3.6	3.3	3.0	3.0	3.0	2.8
Budget balance	-0.2	0.5	1.2	0.2	0.2	0.4	0.7	1.1	1.7	1.7	1.7	1.4
<i>Of which: Primary budget balance</i>	7.6	7.5	7.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.0
Public entities balance 7/ 8/	2.0	0.6	0.6	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	1.8	0.2	0.0	0.4	0.7	1.1	1.7	1.7	1.7	1.4
Principal repayments	4.2	12.1	6.5	6.5	12.5	8.0	6.2	4.9	6.3	6.3	6.3	6.9
Domestic	1.7	8.7	3.9	3.7	3.5	5.5	2.7	2.2	2.9	2.9	2.9	3.3
External	2.6	3.3	2.6	2.9	9.0	2.4	3.5	2.7	3.4	3.4	3.4	3.6
Gross financing needs 9/	4.4	11.6	6.8	7.5	13.4	8.6	5.4	3.8	4.6	4.6	4.6	5.5
Gross financing sources	4.4	12.0	6.8	7.5	13.4	8.6	5.4	3.8	4.6	4.6	4.6	5.5
Domestic	3.9	4.6	3.4	3.7	5.4	6.0	3.5	2.1	3.1	3.1	3.1	3.8
<i>Of which: compensatory flows from PCDF 8/</i>	1.0	0.8	0.7	0.9	2.2	0.2	0.2	0.9	0.5	0.5	0.5	0.4
External	1.9	6.9	1.7	2.7	6.5	2.6	1.9	1.7	1.5	1.5	1.5	1.7
<i>Of which: Official</i>	1.8	1.5	1.6	2.6	1.4	2.6	1.9	1.6	1.4	1.4	1.4	1.3
Divestment + deposit drawdown	-1.4	0.4	0.2	1.2	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>												
Nominal GDP (billion J\$)	1,788	1,927	2,053	2,160	2,155	2,279	2,429	2,596	2,781	2,781	2,781	2,985
Public sector debt (FRL definition, billion J\$) 2/ 4/	2,033	1,952	1,938	2,014	2,014	2,013	1,997	1,975	1,943	1,943	1,943	1,917
Public sector debt (EFF definition, billion J\$) 3/	2,177	2,109	2,076	2,076	2,064	2,055	2,042	2,005	1,967	1,967	1,967	1,938
Public sector debt (FRL definition) 2/ 4/	113.7	101.3	94.4	93.3	93.5	88.3	82.2	76.1	69.9	69.9	69.9	64.2
Public sector debt (EFF definition) 3/ 5/	121.7	109.4	101.1	96.1	95.8	90.2	84.1	77.2	70.7	70.7	70.7	64.9

Sources: Jamaican authorities and Fund staff estimates and projections.

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

2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law. The most significant deviation from the EFF definition is the exclusion of debt to the IMF held by the BoJ.

3/ Central government direct debt, guaranteed debt, and debt holdings by PCDF, consistent with the definition used under the EFF approved in 2013

4/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17.

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5/ The decrease in debt in FY15/16 partly reflects the PetroCaribe buyback operation that generated an immediate 10 percentage point reduction in debt. The increase in debt in FY16/17 partly reflects prefinancing for FY17/18 maturities.

6/ Includes base wage and backpay.

7/ Consistent with the Fiscal Responsibility Law (FRL), implementation of the FRL-consistent debt definition began in FY16/17.

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

9/ Gross financing needs include the recapitalization of the central bank for FY2018/19 through FY2020/21.

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars				In percent of GDP				
	2015/16	2016/17	2017/18	2018/19 Prelim	2014/15	2015/16	2016/17	2017/18	2018/19 latest
<b>Operating balance selected public entities 1/</b>	<b>55.4</b>	<b>79.3</b>	<b>75.2</b>	<b>85.1</b>	<b>2.3</b>	<b>3.3</b>	<b>4.4</b>	<b>3.9</b>	<b>4.1</b>
<i>Of which:</i>									
Airports Authority of Jamaica	3.6	4.0	7.0	3.5	0.1	0.2	0.2	0.4	0.2
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-0.8	-0.8	1.3	5.3	-0.2	0.0	0.0	0.1	0.3
Development Bank of Jamaica	0.4	0.8	0.4	0.5	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	2.2	2.2	1.6	1.9	0.1	0.1	0.1	0.1	0.1
Housing Agency of Jamaica	0.7	0.4	0.5	-0.3	0.0	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	-1.4	-2.4	-3.0	-4.7	-0.2	-0.1	-0.1	-0.2	-0.2
National Housing Trust	18.7	23.4	21.0	21.1	1.2	1.1	1.3	1.1	1.0
National Insurance Fund	2.3	3.6	4.0	2.3	0.1	0.1	0.2	0.2	0.1
NROCC	-3.9	-4.2	-0.8	-2.5	-0.4	-0.2	-0.2	0.0	-0.1
National Water Commission	5.3	4.9	4.4	2.5	0.2	0.3	0.3	0.2	0.1
Petrojam Ethanol	-0.4	0.0	0.4	0.5	0.0	0.0	0.0	0.0	0.0
Petrojam	24.4	41.3	33.9	49.9	0.8	1.4	2.3	1.8	2.4
Petroleum Corporation of Jamaica	-0.7	0.6	0.1	-0.7	0.1	0.0	0.0	0.0	0.0
Port Authority of Jamaica	4.9	5.0	4.2	4.8	0.4	0.3	0.3	0.2	0.2
Urban Development Corporation	-0.1	0.4	0.0	0.7	0.0	0.0	0.0	0.0	0.0
<b>Net current transfers from the central government</b>	<b>-29.2</b>	<b>-40.3</b>	<b>-54.6</b>	<b>-67.9</b>	<b>-1.4</b>	<b>-1.7</b>	<b>-2.3</b>	<b>-2.8</b>	<b>-3.3</b>
<i>Of which:</i>									
Airports Authority of Jamaica	-0.7	-0.9	-1.5	-0.8	0.0	0.0	-0.1	-0.1	0.0
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development Bank of Jamaica	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	-1.3	-1.0	-1.1	-1.2	-0.1	-0.1	-0.1	-0.1	-0.1
Housing Agency of Jamaica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Mortgage Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	3.0	3.3	0.0	-5.8	0.5	0.2	0.2	0.0	-0.3
National Housing Trust	-11.4	-12.4	-11.4	-13.1	-0.7	-0.7	-0.7	-0.6	-0.6
National Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NROCC	4.3	4.6	0.0	-4.9	0.3	0.3	0.3	0.0	-0.2
National Water Commission	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam Ethanol	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Petrojam	-24.0	-33.9	-40.2	-40.4	-1.5	-1.4	-1.9	-2.1	-2.0
Petroleum Corporation of Jamaica	0.7	-0.5	-0.1	-1.5	0.0	0.0	0.0	0.0	-0.1
Port Authority of Jamaica	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Urban Development Corporation	0.2	0.6	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
<b>Overall balance selected public entities</b>	<b>16.0</b>	<b>11.8</b>	<b>-0.3</b>	<b>11.2</b>	<b>-0.3</b>	<b>1.0</b>	<b>0.7</b>	<b>0.0</b>	<b>0.5</b>
<i>Of which:</i>									
Airports Authority of Jamaica	2.3	2.4	4.7	1.3	0.0	0.1	0.1	0.2	0.1
Caymanas Track Limited	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	-0.9	-2.5	1.2	3.0	-0.3	-0.1	-0.1	0.1	0.1
Development Bank of Jamaica	0.3	0.7	0.3	0.4	0.0	0.0	0.0	0.0	0.0
Human Employment and Resource Training Trust	0.5	0.8	-0.2	0.2	0.1	0.0	0.0	0.0	0.0
Housing Agency of Jamaica	0.1	0.6	1.0	0.3	0.0	0.0	0.0	0.1	0.0
Jamaica Mortgage Bank	0.1	-0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Jamaica Urban Transit Company	0.1	0.3	-0.1	1.0	0.0	0.0	0.0	0.0	0.0
National Housing Trust	4.0	1.4	-3.7	-7.3	0.0	0.2	0.1	-0.2	-0.4
National Insurance Fund	2.3	3.6	4.0	2.3	0.1	0.1	0.2	0.2	0.1
NROCC	0.1	0.3	3.4	2.4	-0.1	0.0	0.0	0.2	0.1
National Water Commission	-0.7	0.4	0.9	-2.3	-0.2	0.0	0.0	0.0	-0.1
Petrojam Ethanol	-0.2	0.0	0.3	0.6	0.0	0.0	0.0	0.0	0.0
Petrojam	5.0	-0.1	-8.3	10.0	-0.3	0.3	0.0	-0.4	0.5
Petroleum Corporation of Jamaica	0.0	0.1	1.0	0.4	0.0	0.0	0.0	0.1	0.0
Port Authority of Jamaica	4.1	3.3	-4.7	-1.9	0.3	0.2	0.2	-0.2	-0.1
Urban Development Corporation	-1.1	0.6	0.0	0.7	0.0	-0.1	0.0	0.0	0.0
<b>Overall balance other public entities</b>	<b>15.2</b>	<b>24.5</b>	<b>11.6</b>	<b>1.2</b>	<b>1.2</b>	<b>0.9</b>	<b>1.4</b>	<b>0.6</b>	<b>0.1</b>
<b>Overall balance public entities</b>	<b>31.2</b>	<b>36.3</b>	<b>11.4</b>	<b>12.4</b>	<b>0.9</b>	<b>1.8</b>	<b>2.0</b>	<b>0.6</b>	<b>0.6</b>

Sources: Jamaican authorities; and Fund staff estimates.

1/ The operating balance is defined as current revenues minus current expenditures after adjustments from accrual accounting to cash basis.

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

	2016/17	2017/18	Est.		Prog.					
			2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Current account	-168	-451	-339	-463	-405	-350	-415	-522	-584	-615
Trade balance	-3,014	-3,601	-3,632	-3,766	-3,714	-3,785	-3,881	-3,947	-4,070	-4,190
Exports (f.o.b.)	1,246	1,494	1,953	1,610	1,653	1,573	1,725	1,882	1,944	2,009
Imports (f.o.b.)	4,260	5,095	5,585	5,376	5,367	5,358	5,606	5,829	6,014	6,199
Fuel (cif)	1,084	1,444	1,659	1,541	1,475	1,390	1,441	1,493	1,531	1,572
Exceptional imports (including FDI-related)	483	532	534	614	554	570	590	611	633	655
Other	2,694	3,119	3,392	3,221	3,338	3,398	3,575	3,725	3,850	3,972
Services (net)	1,044	1,229	1,396	1,430	1,435	1,485	1,498	1,514	1,534	1,587
Transportation	-554	-640	-698	-681	-679	-672	-701	-728	-752	-775
Travel	2,305	2,631	2,940	2,925	2,955	3,004	3,051	3,101	3,151	3,244
Of which: Tourism receipts	2,566	2,904	3,227	3,216	3,249	3,306	3,364	3,426	3,488	3,595
Other services	-707	-762	-846	-814	-842	-847	-853	-859	-865	-882
Income (net) 4/	-594	-474	-559	-636	-588	-562	-591	-694	-702	-715
Current transfers (net)	2,396	2,396	2,455	2,509	2,462	2,512	2,559	2,606	2,654	2,703
Government (net)	174	178	208	186	169	172	176	180	183	187
Private (net)	2,222	2,217	2,247	2,323	2,293	2,340	2,383	2,426	2,471	2,516
Capital and financial account	522	756	349	784	455	738	520	639	480	532
Capital account (net)	0	-19	-22	-10	-22	-22	-22	-22	-22	-22
Financial account (net) 1/	522	775	372	794	477	760	542	662	502	554
Direct investment (net)	585	908	715	674	268	690	721	751	782	815
Central government (net) 5/	-39	540	-86	-39	5	144	-285	-201	-395	-379
Of which: IFIs	232	143	162	351	156	165	0	0	0	0
Other official (net) 2/ 5/	44	19	-154	66	36	35	40	46	50	53
Of which: PetroCaribe	12	0	0	0	0	0	0	0	0	0
Portfolio investment (net)	-68	-691	-103	92	168	-109	65	65	65	65
Overall balance	354	305	10	321	49	388	105	118	-105	-83
Financing	-354	-305	-10	-321	-49	-388	-105	-118	105	83
Change in gross reserves (- increase)	-430	-333	52	-224	47	-270	24	14	217	151
Change in arrears	0	0	0	0	0	0	0	0	0	0
Financing gap	76	28	-62	-97	-96	-119	-129	-132	-112	-68
IMF 3/	118	-18	-61	-97	-96	-119	-129	-132	-112	-68
Disbursements	118	0	0	0	0	0	0	0	0	0
Repayments	0	-18	-61	-97	-96	-119	-129	-132	-112	-68
<b>Memorandum items:</b>										
Gross international reserves	3,324	3,657	3,605	3,579	3,558	3,828	3,804	3,789	3,573	3,422
(in weeks of prospective imports of GNFS)	26.7	25.4	23.0	23.4	23.4	25.1	23.9	23.0	21.1	19.6
Net international reserves	2,769	3,075	3,085	3,155	3,134	3,522	3,627	3,744	3,573	3,422
of which: non-borrowed	1,944	2,398	2,634	2,825	2,834	3,236	3,481	3,619	3,556	3,405
Current account (percent of GDP)	-1.2	-3.0	-2.2	-2.9	-2.5	-2.1	-2.4	-2.8	-3.0	-3.1
Exports of goods (percent change)	5.7	19.9	30.7	-4.7	-15.3	-4.9	9.7	9.1	3.3	3.3
Imports of goods (percent change)	0.1	19.6	9.6	2.0	-3.9	-0.2	4.6	4.0	3.2	3.1
Oil prices (composite, fiscal year basis)	47.9	55.7	67.3	59.5	59.6	55.2	54.0	53.9	54.4	54.9
Tourism receipts (percent change)	5.0	13.2	11.1	2.8	0.7	1.8	1.8	1.8	1.8	3.1
GDP (US\$ millions)	14,136	15,086	15,728	...	...	...	...	...	...	...
Jamaican dollar/USD, period average	127	128	131	...	...	...	...	...	...	...

Sources: Jamaican authorities; and Fund staff estimates.

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

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

3/ Negative indicates repayment to the IMF.

4/ Starting FY2011/12, interest payments to non-residents were adjusted to reflect resident holdings of GOJ global bonds.

5/ in 2015/16, projections reflect inflows and outflows associated with the Petrocaribe debt buyback.

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

	2016/17	2017/18	Est. 2018/19	Prog. 2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
(In billions of Jamaican dollars)										
<b>End-of-period stocks 1/</b>										
<b>Net foreign assets</b>	<b>356.3</b>	<b>392.2</b>	<b>393.5</b>	<b>431.2</b>	<b>418.9</b>	<b>478.8</b>	<b>504.6</b>	<b>535.3</b>	<b>525.7</b>	<b>518.4</b>
<b>Net domestic assets</b>	<b>-216.8</b>	<b>-222.1</b>	<b>-179.5</b>	<b>-252.7</b>	<b>-194.4</b>	<b>-241.3</b>	<b>-251.5</b>	<b>-264.8</b>	<b>-235.9</b>	<b>-207.4</b>
Net claims on public sector	31.5	58.0	44.4	143.7	91.3	77.9	83.9	81.0	82.8	84.5
Net claims on central government	4.1	29.3	53.2	92.7	86.8	86.8	86.8	86.8	86.8	86.8
Net claims on rest of public sector	27.4	28.6	-19.7	56.9	5.7	-5.2	1.9	-1.1	0.4	-0.3
Operating losses of the BOJ	0.0	0.0	10.9	-5.9	-1.2	-3.6	-4.8	-4.7	-4.4	-1.9
Net credit to commercial banks	-44.1	-61.5	-65.5	-49.6	-59.5	-63.5	-68.0	-72.5	-77.9	-83.8
<i>Of which: foreign prudential reserve</i>	-44.1	-61.5	-65.5	-49.6	-59.5	-63.5	-68.0	-72.5	-77.9	-83.8
Net credit to other financial institutions	-8.7	-3.1	-2.0	-2.2	-1.5	-1.8	-1.7	-1.8	-1.9	-1.9
Open market operations	-51.8	-93.3	-58.5	-177.0	-108.1	-130.9	-132.7	-126.1	-80.0	-34.0
Other items net (incl. valuation adj.)	-143.7	-122.1	-97.9	-167.5	-116.6	-123.1	-133.0	-145.4	-158.9	-172.2
<i>Of which: Valuation adjustment</i>	-122.5	-119.6	-119.4	-146.3	-138.2	-144.7	-154.6	-167.0	-180.5	-193.8
<b>Base money</b>	<b>139.5</b>	<b>170.1</b>	<b>214.0</b>	<b>178.5</b>	<b>224.5</b>	<b>237.5</b>	<b>253.1</b>	<b>270.5</b>	<b>289.8</b>	<b>311.0</b>
Currency in circulation	77.8	90.7	99.4	68.0	59.8	61.4	63.6	66.1	68.8	71.8
Liabilities to commercial banks	61.6	79.4	114.6	110.6	164.8	176.1	189.5	204.4	221.0	239.2
<b>Fiscal year flows 1/</b>										
<b>Net foreign assets</b>	<b>61.5</b>	<b>35.9</b>	<b>-39.7</b>	<b>53.3</b>	<b>25.4</b>	<b>59.9</b>	<b>25.8</b>	<b>30.7</b>	<b>-9.5</b>	<b>-7.4</b>
<b>Net domestic assets</b>	<b>-42.1</b>	<b>-5.2</b>	<b>117.6</b>	<b>-43.0</b>	<b>-14.9</b>	<b>-47.0</b>	<b>-10.1</b>	<b>-13.3</b>	<b>28.9</b>	<b>28.5</b>
Net claims on public sector	-102.2	26.5	-56.8	40.2	46.9	-13.4	6.0	-3.0	1.8	1.7
Net claims on central government	-35.7	25.3	2.9	25.0	33.6	0.0	0.0	0.0	0.0	0.0
Net credit to commercial banks	-15.6	-17.4	-29.5	-3.1	6.1	-4.0	-4.5	-4.5	-5.5	-5.9
Net credit to other financial institutions	-6.3	5.5	0.5	-0.1	0.5	-0.3	0.1	-0.1	0.0	-0.1
Open market operations	5.9	-41.4	139.9	-71.6	-49.6	-22.8	-1.8	6.6	46.1	46.0
Other items net (incl. valuation adj.)	76.2	21.6	63.5	-8.3	-18.7	-6.5	-9.9	-12.4	-13.5	-13.3
<b>Base money</b>	<b>19.4</b>	<b>30.7</b>	<b>77.9</b>	<b>10.4</b>	<b>10.5</b>	<b>12.9</b>	<b>15.6</b>	<b>17.3</b>	<b>19.3</b>	<b>21.2</b>
Currency in circulation	7.5	12.9	35.3	2.1	-39.6	1.7	2.2	2.4	2.7	3.0
Liabilities to commercial banks	12.0	17.8	42.6	8.3	50.1	11.3	13.4	14.9	16.6	18.2
(Change in percent of beginning-of-period Base Money)										
<b>Net foreign assets</b>	<b>51.2</b>	<b>25.8</b>	<b>-29.1</b>	<b>31.7</b>	<b>11.9</b>	<b>26.7</b>	<b>10.8</b>	<b>12.1</b>	<b>-3.5</b>	<b>-2.5</b>
<b>Net domestic assets</b>	<b>-35.0</b>	<b>-3.8</b>	<b>86.4</b>	<b>-25.6</b>	<b>-6.9</b>	<b>-20.9</b>	<b>-4.3</b>	<b>-5.3</b>	<b>10.7</b>	<b>9.8</b>
Net claims on public sector	-85.2	19.0	-41.7	23.9	21.9	-6.0	2.5	-1.2	0.7	0.6
Net credit to commercial banks	-13.0	-12.5	-21.7	-1.9	2.8	-1.8	-1.9	-1.8	-2.0	-2.0
Net credit to other financial institutions	-5.2	4.0	0.4	-0.1	0.2	-0.1	0.0	0.0	0.0	0.0
Open market operations	4.9	-29.7	102.8	-42.6	-23.2	-10.1	-0.8	2.6	17.0	15.9
Other items net (incl. valuation adj.)	63.5	15.5	46.7	-5.0	-8.8	-2.9	-4.2	-4.9	-5.0	-4.6
<b>Base money</b>	<b>16.2</b>	<b>22.0</b>	<b>57.2</b>	<b>6.2</b>	<b>4.9</b>	<b>5.8</b>	<b>6.6</b>	<b>6.8</b>	<b>7.2</b>	<b>7.3</b>
Currency in circulation	6.2	9.3	25.9	1.2	-18.5	0.7	0.9	1.0	1.0	1.0
Liabilities to commercial banks	10.0	12.7	31.3	4.9	23.4	5.0	5.7	5.9	6.1	6.3
<b>Memorandum items:</b>										
Change in net claims on the central government (percent of GDP)	-2.0	1.3	0.1	1.2	1.6	0.0	0.0	0.0	0.0	0.0

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Fiscal year runs from April 1 to March 31. Additionally, the authorities are compiling and disseminating monetary data on the basis of the 2000 MFS manual, which reflect a different methodology and coverage.

Table 7. Jamaica: Summary Monetary Survey 1/

	2016/17	2017/18	Est. 2018/19	Prog. 2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
(In billions of Jamaican dollars)										
<b>End-of-period stocks 1/</b>										
<b>Net foreign assets</b>	<b>355.4</b>	<b>436.7</b>	<b>437.6</b>	<b>471.8</b>	<b>474.0</b>	<b>536.4</b>	<b>564.5</b>	<b>599.2</b>	<b>594.5</b>	<b>592.3</b>
<b>Net domestic assets</b>	<b>280.9</b>	<b>319.7</b>	<b>406.8</b>	<b>308.0</b>	<b>412.0</b>	<b>400.7</b>	<b>434.2</b>	<b>467.9</b>	<b>549.0</b>	<b>634.8</b>
Net claims on public sector	122.2	159.6	154.9	205.6	214.6	178.1	185.1	181.8	184.2	192.5
<i>Of which: Central government 2/</i>	131.8	167.3	203.2	212.8	256.6	241.9	242.9	242.6	243.1	249.7
Open market operations	-12.4	-60.5	-59.0	24.4	-69.5	-69.2	-262.5	-348.5	-357.7	-342.0
Credit to private sector	515.6	609.7	702.5	664.6	776.6	853.3	946.8	1064.3	1196.7	1347.5
<i>Of which: Foreign currency</i>	100.6	122.5	134.8	108.5	143.2	146.3	150.5	155.4	160.8	166.3
Other	-344.5	-389.1	-391.6	-586.6	-509.7	-561.5	-435.2	-429.7	-474.2	-563.3
<i>Of which: Valuation adjustment</i>	-122.5	-119.6	-119.4	-136.6	-131.8	-134.9	-139.7	-145.4	-151.2	-156.0
<b>Liabilities to private sector (M3)</b>	<b>636.4</b>	<b>756.4</b>	<b>844.4</b>	<b>779.8</b>	<b>885.9</b>	<b>937.0</b>	<b>998.8</b>	<b>1067.1</b>	<b>1143.5</b>	<b>1227.0</b>
Money supply (M2)	385.1	479.5	542.1	449.2	489.4	513.8	545.7	584.0	623.9	668.5
Foreign currency deposits	251.2	276.9	302.3	330.6	396.6	423.2	453.0	483.1	519.5	558.6
<b>Fiscal year flows 1/</b>										
<b>Net foreign assets</b>	<b>2.0</b>	<b>81.2</b>	<b>0.9</b>	<b>54.8</b>	<b>36.4</b>	<b>62.4</b>	<b>28.2</b>	<b>34.7</b>	<b>-4.7</b>	<b>-2.2</b>
<b>Net domestic assets</b>	<b>107.1</b>	<b>38.8</b>	<b>87.1</b>	<b>-9.5</b>	<b>5.1</b>	<b>-11.3</b>	<b>33.6</b>	<b>33.7</b>	<b>81.0</b>	<b>85.8</b>
Net claims on public sector	-84.3	37.4	-4.6	30.4	59.7	-36.6	7.0	-3.3	2.4	8.3
<i>Of which: Central government</i>	-1.9	35.5	35.9	24.8	53.4	-14.7	1.0	-0.3	0.6	6.6
Open market operations	-27.7	-48.1	1.5	23.4	-10.5	0.3	-193.3	-86.0	-9.3	15.8
Credit to private sector	139.7	94.1	92.8	61.9	74.1	76.8	93.5	117.5	132.5	150.8
<i>Of which: Foreign currency</i>	16.4	21.8	12.3	3.2	8.4	3.2	4.2	4.9	5.4	5.6
Other 2/	79.5	-44.6	-2.5	-125.3	-118.2	-51.8	126.4	5.5	-44.5	-89.1
<i>Of which: Valuation adjustment</i>	-47.6	2.8	0.2	-4.2	-12.4	-3.1	-4.8	-5.7	-5.8	-4.7
<b>Liabilities to private sector (M3)</b>	<b>109.1</b>	<b>120.0</b>	<b>88.0</b>	<b>45.3</b>	<b>41.5</b>	<b>51.1</b>	<b>61.7</b>	<b>68.4</b>	<b>76.3</b>	<b>83.6</b>
Money supply (M2)	74.7	94.3	62.7	24.5	-52.8	24.4	31.9	38.3	39.9	44.6
Foreign currency deposits	34.4	25.7	25.3	20.8	94.3	26.6	29.8	30.1	36.4	39.0
(Change in percent of beginning-of-period M3)										
<b>Net foreign assets</b>	<b>0.4</b>	<b>12.8</b>	<b>0.1</b>	<b>7.5</b>	<b>4.3</b>	<b>7.0</b>	<b>3.0</b>	<b>3.5</b>	<b>-0.4</b>	<b>-0.2</b>
<b>Net domestic assets</b>	<b>20.3</b>	<b>6.1</b>	<b>11.5</b>	<b>-1.3</b>	<b>0.6</b>	<b>-1.3</b>	<b>3.6</b>	<b>3.4</b>	<b>7.6</b>	<b>7.5</b>
Net claims on public sector	-16.0	5.9	-0.6	4.1	7.1	-4.1	0.7	-0.3	0.2	0.7
<i>Of which: Central government</i>	-0.4	5.6	4.7	3.4	6.3	-1.7	0.1	0.0	0.1	0.6
Open market operations	-5.3	-7.6	0.2	3.2	-1.2	0.0	-20.6	-8.6	-0.9	1.4
Credit to private sector	26.5	14.8	12.3	8.4	8.8	8.7	10.0	11.8	12.4	13.2
<i>Of which: Foreign currency</i>	3.1	3.4	1.6	0.4	1.0	0.4	0.4	0.5	0.5	0.5
Other 2/	15.1	-7.0	-0.3	-17.1	-14.0	-5.8	13.5	0.6	-4.2	-7.8
<i>Of which: Valuation adjustment</i>	-9.0	0.4	0.0	-0.6	-1.5	-0.4	-0.5	-0.6	-0.5	-0.4
<b>Liabilities to private sector (M3)</b>	<b>20.7</b>	<b>18.9</b>	<b>11.6</b>	<b>6.2</b>	<b>4.9</b>	<b>5.8</b>	<b>6.6</b>	<b>6.8</b>	<b>7.2</b>	<b>7.3</b>
<b>Memorandum items:</b>										
M3/monetary base	4.6	4.4	3.9	4.4	3.9	3.9	3.9	3.9	3.9	3.9
M3 velocity	2.8	2.5	2.4	2.8	2.4	2.4	2.4	2.4	2.4	2.4

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

1/ Fiscal year runs from April 1 to March 31. Additionally, the authorities are compiling and disseminating monetary data on the basis of the 2000 MFS manual, which reflect a different methodology and coverage.

2/ Includes net credit to nonbank financial institutions, capital accounts, valuation adjustment, securities sold under repurchase agreements and net unclassified assets.

**Table 8. Jamaica: Financial Sector Indicators 1/**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 June
<b>Balance sheet growth (y/y)</b>												
Capital	14.7	13.8	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	11.4	11.2
Loans	24.2	5.3	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	14.8	15.4
NPLs	57.6	68.0	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	10.1	3.3
<b>Liquidity</b>												
Domestic currency liquid assets 2/	30.3	31.3	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	28.0	26.8
<b>Asset Quality</b>												
Prov. for loan losses/NPLs	87.2	75.7	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	111.0	115.2
NPLs/loans	2.9	4.7	6.5	8.9	7.0	5.4	5.0	4.1	3.5	3.5	3.5	3.5
<b>Capital Adequacy</b>												
NPLs/Capital+Prov. for loan losses	12.3	17.7	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	11.1	10.9
Capital Adequacy Ratio (CAR)	15.2	18.8	18.2	16.1	14.1	15.1	15.9	14.9	14.5	14.5	14.5	14.5
<b>Profitability (calendar year) 3/</b>												
Pre-tax profit margin	26.3	21.4	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	28.0	n.a
Return on average assets	3.5	2.9	2.5	3.9	2.4	2.0	2.1	2.0	2.0	2.0	2.0	2.0

Source: Bank of Jamaica.

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

2/ Percent of prescribed liabilities.

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

**Table 9. Jamaica: Schedule of Reviews and Purchases**

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

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

**Table 10. Jamaica: Structural Program Conditionality**

Structural Benchmarks	Timing	Implementation status
<b>Fiscal Reforms</b>		
1 The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	December 31, 2016	Met
<b>Monetary policy and financial sector</b>		
2 Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	November 30, 2016	Met
3 Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	February 28, 2017	Met
4 Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	March 31, 2017	Met
5 Instituting mechanisms to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations that require "retail repos" to be governed by a MRRA that is signed by both the dealer and the client.	May 30, 2017	Met
6 Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Met
7 Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Met
8 To enhance the BoJ's governance framework, submit revisions of the BOJ Act to Parliament to - among other things - improve central bank governance and independence, in line with IMF recommendations. The revisions will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government	October 31, 2018	Met
<b>Public Sector Transformation</b>		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	Met
10 Complete an employee verification exercise. Island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the police department, the NIS, and the non-teaching personnel at the Ministry of Education are ongoing. The verification for all entities in the central government wage bill will be finalized by March 2017.	March 31, 2017	Met
11 The creation and application of strict unambiguous rules for the decisions of the Post Operations Committee regarding all types of employment including acting. These rules are to establish a percentage reduction rate which effectively controls the rate of employment and creates a sharp downward trajectory whilst ensuring that the public sector is properly resourced.	March 31, 2017	Met
12 Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	Met
13 Identify positions that will be affected due to the implementation of shared corporate services in human resources and quantify the implications through the development of a costed transition plan and schedule.	May 30, 2017	Met
14 Institute rules prohibiting the rehiring of participants in the early retirement program into the public sector for at least 5 years unless the person returns the incentive.	May 30, 2017	Met
15 Submit to the Governor General through Cabinet rules and standards for the Public Service Commission for limiting the approval of continued employment after retirement age, including as contract officers.	May 30, 2017	Met
16 Submit to parliament all necessary legislative changes to direct all earmarked revenues from the Jamaica Civil Aviation Authority, the Tourism Enhancement Fund, and the CHASE Fund to the consolidated fund.	June 15, 2017	Met
17 Submit to Cabinet a time-bound plan to reintegrate eligible public bodies into central government, consistent with the public financial management principles of the policy on public bodies.	July 31, 2017	Met
18 Submit to Cabinet a medium-term policy and implementation plan to revise the performance-based merit increases to make them more meaningfully related to the performance management appraisal system	September 30, 2017	Met
19 Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Met
20 The following entities will be closed: (i) Board of Supervision, (ii) Road Maintenance Fund, (iii) Kingston Waterfront Hotel Company Limited, (iv) Montego Shopping Centre Limited, and (v) Portmore Commercial Development Ltd. In addition, the Children's Registry will be reintegrated into the Child Development Agency.	October 31, 2017	Met
21 Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Met
22 Identify positions that will be affected due to the implementation of shared corporate services in Public Relations and Communications, and Internal Audit and quantify the implications through the development of a costed transition plan and schedule.	November 30, 2017	Met
23 The total stock of domestic arrears (as defined in the TMU) of the following public bodies will be capped at J\$6.4 billion during the program period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	

**Table 11. Jamaica: Quantitative Performance Criteria 1/2/**  
(In billions of Jamaican dollars unless otherwise stated)

	2018				2019				
	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target	Actual	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target
		end-December		end-March		end-June		end-Sept.	
<b>Fiscal targets</b>									
<i>Performance Criteria</i>									
1. Primary balance of the central government (floor) 3/	68.0	68.0	107.7	141.6	153.6	19.0	19.0	37.9	35.7
2. Overall balance of the public sector (floor) 3/	-41.1	-36.6	29.7	-14.7	36.8	-14.0	-14.0	18.0	-25.0
3. Net increase in the central government guaranteed debt (ceiling) 3/	-8.4	-8.4	-11.1	-8.4	-11.9	0.0	0.0	-1.4	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	0.0	-5.2	0.0	-5.8	0.0	0.0	-7.4	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	0.0	-12.4	0.0	-12.7	0.0	0.0	-14.4	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Indicative targets</i>									
7. Tax revenues of the central government (floor) 3/	360.0	360.0	388.7	516.0	542.9	115.0	115.0	137.4	242.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	18.0	18.0	15.2	20.0	17.8	22.0	22.0	11.0	24.0
9. Central government spending on social programs (floor) 3/ 7/	19.4	19.4	28.3	28.2	34.6	6.7	6.7	11.0	12.3
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	3.0	1.6	3.0	1.6	3.0	3.0	1.5	3.0
<b>Monetary targets</b>									
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2,200	2,200	2,521	2,200	2,634	2,250	2,202	2,587	2,300
12. <i>Monetary policy consultation clause (in percent) 12/</i>									
Outer band (upper)	6.5			6.0		6.0			6.0
Center inflation target	5.0		2.4	5.0	3.4	5.0		4.2	5.0
Inner band (lower)	3.5			4.0		4.0			4.0
Outer band (lower)	2.0			2.5		2.5			2.5

1/ Targets as defined in the Technical Memorandum of Understanding (TMU).

2/ Based on program exchange rates defined in the TMU.

3/ Cumulative flows from April 1 through March 31.

4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.

5/ Includes tax refund arrears as stipulated by law.

6/ In millions of U.S. dollars.

7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU).

8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU.

9/ Continuous performance criterion.

10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears.

11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.

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

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

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Prospective drawings (3-year SBA)	1,195.30	...	...	...	...	...	...	...	...
(in percent of quota)	312.17	...	...	...	...	...	...	...	...
(Projected Debt Service to the Fund based on Existing and Prospective Drawings) 1/									
Amortization	34.76	83.68	93.12	93.12	679.38	653.67	28.32	9.44	0.00
Amortization (4-year EFF)	34.76	83.68	93.12	93.12	81.73	56.02	28.32	9.44	0.00
Amortization (3-year SBA) 1/	0.00	0.00	0.00	0.00	597.65	597.65	0.00	0.00	0.00
Interest and service charges 1/	8.31	31.45	29.93	28.13	21.99	8.89	0.63	0.13	0.00
GRA surcharges 1/	0.00	17.93	16.34	14.49	11.69	0.02	0.00	0.00	0.00
SDR charges and assessments 1/	0.28	1.13	1.13	1.13	1.13	1.13	1.13	1.13	1.13
Total debt service 1/	43.35	134.19	140.53	136.88	714.19	663.72	30.09	10.71	1.14
(in percent of exports of G&S) 2/	1.43	4.15	4.17	3.85	19.43	17.49	0.77	0.25	0.02
(in percent of GDP) 2/	0.49	1.45	1.44	1.34	6.66	5.89	0.25	0.08	0.01
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings) 1/									
Outstanding stock 1/	1,640.73	1,557.04	1,463.92	1,370.80	691.43	37.76	9.44	0.00	0.00
(in percent of quota)	428.50	406.64	382.32	358.00	180.58	9.86	2.47	0.00	0.00
(in percent of GDP) 2/	18.68	16.84	15.05	13.42	6.45	0.34	0.08	0.00	0.00
<b>Memorandum items:</b>									
Exports of goods and services (US\$ millions) 2/	4,514.96	4,826.61	5,030.65	...	...	...	...	...	...
GDP (US\$ millions) 2/	13,096.84	13,785.90	14,501.16	15,228.51	15,983.78	16,792.68	17,642.39	19,141.99	20,769.06
US\$/SDR exchange rate	...	...	...	...	...	...	...	...	...
Debt service as percent of baseline exports	1.15	3.55	3.56	...	...	...	...	...	...
Debt service as percent of baseline GDP	0.40	1.18	1.19	1.11	5.55	4.95	0.22	0.07	0.01
Quota	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90	382.90

Source: Fund staff estimates.

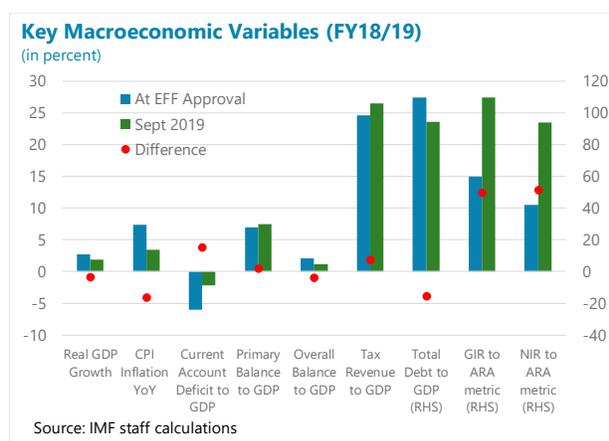
1/ Assumes that all eligible purchases under the SBA would be made.

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

## Annex I. Key Achievements Under Successive IMF Supported Programs

### 1. Broad-based social consensus over two successive administrations has supported policies under the Stand-By Arrangement (SBA, 2016) and the preceding Extended Arrangement (EFF, 2013), entrenching fiscal discipline and advancing broader structural fiscal reforms.

- A sustained fiscal adjustment—with a budget primary surplus at or in excess of 7 percent of GDP for six years in a row—combined with opportunistic debt liability management operations have reduced public debt by almost 50 percentage points to 94 percent of GDP at end-March 2019.



- Social spending has consistently overperformed the program floor during the fiscal consolidation, with increased budget allocation to the Programme of Advancement Through Health and Education (PATH) and the school feeding program, including to support the shift from direct to indirect taxation.
- The wage bill declined from 10.1 percent of GDP in FY2013/14 to 8.9 percent of GDP in FY2018/19, supported by a two-year wage freeze in FY2013/14 that limited the nominal wage increases and by a four-year wage agreement effective FY2017/18 that froze non-salary related allowances.
- Revenue neutral personal income tax reforms which shifted from direct to indirect taxation were completed in two phases (FY2016/17 and FY2017/18). Distortionary financial turnover taxes were subsequently reduced or eliminated in FY2019/20.
- Several structural fiscal reforms were pursued in tandem with the underlying fiscal adjustment to support the long-term sustainability of public finances.
- The Fiscal Responsibility Law was strengthened in 2014 to entrench the public debt anchor at 60 percent of GDP by FY2025/26, setting in train the fiscal discipline that followed. This legislation also established a new permanent budget calendar, under which the budget is to be adopted before the start of the fiscal year.
- Wide-ranging tax reforms were implemented including the Omnibus tax legislation to curb tax incentives, the shift from direct to indirect taxes, and property tax reform. These, combined with

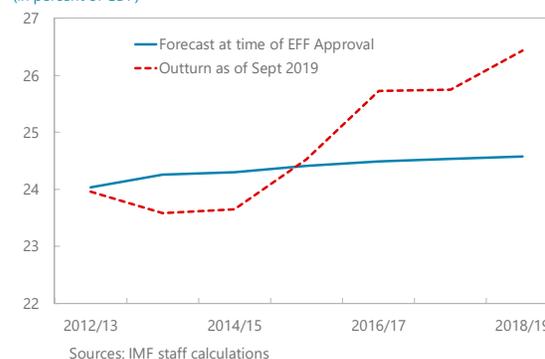
tax administration reforms, boosted tax revenue by 2½ percent of GDP, underpinning consistent budget over-performance over the last 3 years. In addition, reforms to the Charities Act, import duty reform to reduce tariff dispersion, and removal of zero rating of government purchases under the GCT helped solidify the revenue base.

- Landmark pensions bill was passed (and phased-in) to improve the sustainability of the pension scheme of public employees.
- The transition of the Accountant General's Department into a modern treasury is improving cash management and refining public management practices, as reflected in the non-accumulation of arrears and timely budget process.
- Thirty public bodies have been closed, merged, divested, or reintegrated into central government; earmarked revenues from public entities are being directed to the Consolidated Fund on an ongoing basis.
- A financial inclusion council was established to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016–20 in order to improve access to finance.

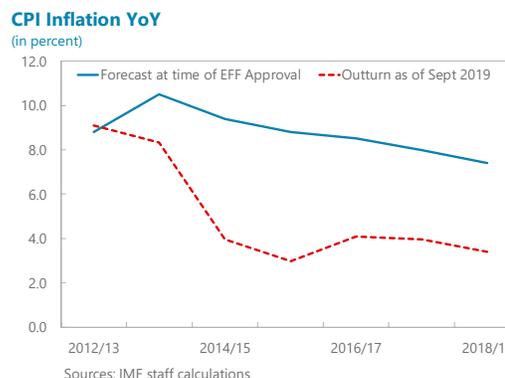
**2. The Bank of Jamaica (BOJ) has implemented reforms to improve monetary policy transmission, reduce its footprint in the FX market, and support the shift to inflation targeting as the cornerstone of monetary policy.** In this regard:

- The introduction of the B-FXITT auction platform is facilitating price discovery and increasing transparency in the FX market, and together with the reduction in the FX surrender requirements, should promote interbank trade.
- The government's resolve to adopt inflation targeting has been enhanced greatly by the public announcement of the BOJ's inflation target range in 2017, followed by the 2018 submission to parliament of legislative amendments enshrining inflation targeting as the core mandate of monetary policy, improving BOJ governance and accountability and enhancing its financial and operational independence. Unconventional communication by the BOJ using music videos on the benefits of low and stable inflation have received global attention.
- The switch to a unified overnight policy rate and the establishment of an interest rate corridor is improving monetary policy signaling.
- Inflation has remained low and stable, albeit sometimes below the inflation target range, which has prompted the BOJ to explain the sources of deviations, in line with its monetary policy strategy.

**Tax Revenue**  
(in percent of GDP)



- In parallel, several financial sector reforms were implemented to, inter alia, provide a legal trust framework for the securities dealers' retail repo business, introduce retail repo leverage ratio, and develop a liquidity ratio for SDs. In addition, progress is being made to develop a draft legislation for a special resolution regime for crisis resolution; rolling out consolidated risk-based supervision is also underway.



### 3. External sustainability has become entrenched on account of debt reduction, astute liability management operations, and accumulating comfortable levels of non-borrowed net international reserves.

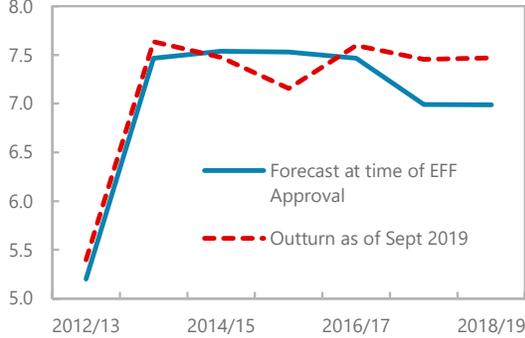
- Jamaica bought back its debt to Venezuela's PVDSA in FY2015/16, reducing debt by about 10 percentage points of GDP and has reprofiled its external debt through liability management in the international capital markets in 2017 and 2019. Gradual shifts toward domestic debt have been ongoing (Annex 2 in Fifth Review).
- The BOJ's accumulation of reserves with less frequent FX intervention sales have supported the healthy build-up of non-borrowed reserves to more than \$2½ billion at end-June 2019. Gross reserves are 110 percent of the ARA metric.
- Lower intervention sales by the BOJ and two-way exchange rate movement have supported the IMF 2018 reclassification of Jamaica as operating a floating exchange rate regime.

### 4. Structural reforms have continued apace.

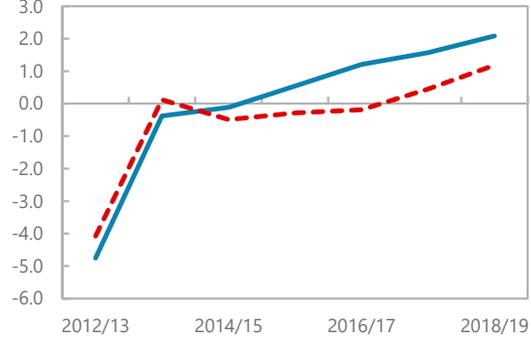
- The energy generation matrix is being diversified with the new US\$1 billion LNG terminal. The country is on track to achieve the 20 percent target for renewable energy sources by 2030.
- Privatizations, including, by way of a long-term concession agreement, of the Kingston Container Terminal and the Norman Manley International airport, and the IPO of the GOJ-owned Wigton Wind Farm were concluded.
- Capital spending accelerated to improve the road infrastructure. The agricultural sector benefited from further investments in farm roads, and creation of Agroparks which should help enhance the resilience of the sector and improve social outcomes.
- Procurement policies have been amended to enhance efficiency and transparency. A Building Act was tabled to improve the development approval process.
- Reflecting the government's policy priorities, broad-based spending on citizen security rose sharply in this period to address crime, which remains a major impediment to growth.

**Annex Figure 1. Jamaica: Forecast at the time of EFF Approval (May 2013) vs. Outturn**

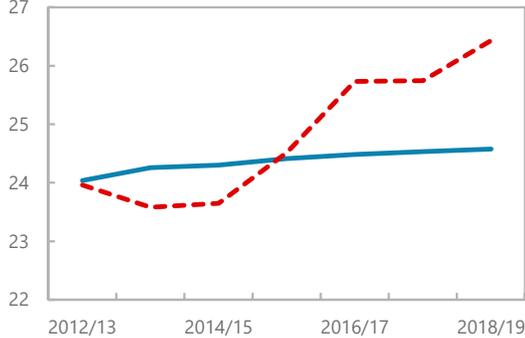
**Primary Balance**  
(in percent of GDP)



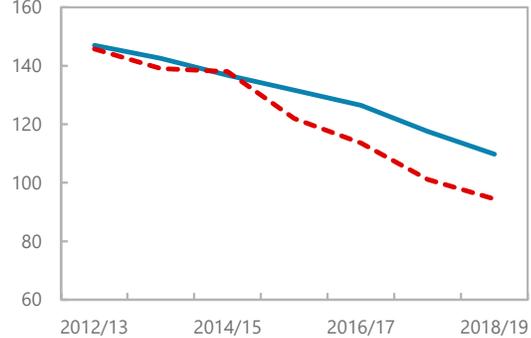
**Overall Government Balance**  
(in percent of GDP)



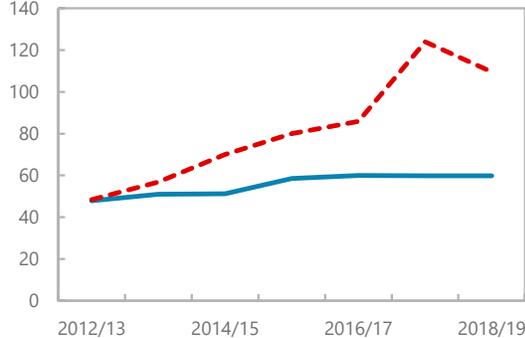
**Tax Revenue**  
(in percent of GDP)



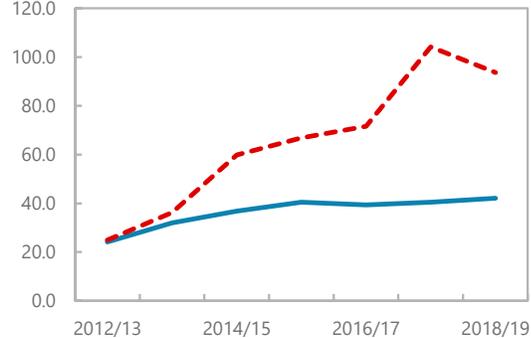
**Total Debt**  
(in percent of GDP)



**GIR**  
(in percent of Fund's ARA metric)



**NIR**  
(in percent of Fund's ARA metric)



Source: IMF staff calculations

## Appendix I. Letter of Intent

Kingston, Jamaica  
October 14, 2019

Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, DC 20431

Dear Ms. Georgieva,

Broad-based consensus has allowed the Government of Jamaica (GOJ) to design and implement prudent and credible macroeconomic policies under the Fund-supported precautionary Stand-By Arrangement (SBA) since November 2016. Our policies have helped entrench macroeconomic stability and generated an unprecedented number of jobs for our people.

The 50 percent of GDP reduction in public debt—to 94 percent of GDP at end-March 2019—enabled us to relax the primary surplus target by 0.5 percent to 6.5 percent of GDP in the current budget. The additional fiscal space supported much-needed growth-enhancing and social spending, and concurrently provided net tax cuts to Jamaicans. Meanwhile, our net international reserves position is comfortable; unemployment is at an all-time low of 7.8 percent and more than halving since April 2013, and inflation is moderate. We have also advanced structural reforms including to legislate public pension reform, address citizen security, improve financial inclusion and introduce amendments and regulations to streamline procurement.

We are pleased to report that all quantitative performance criteria for June 2019 were met and structural reforms are progressing, albeit with delays in a few measures. The primary surplus exceeded the programme target, reflecting continued tax buoyancy; non-borrowed reserves were US\$385 million above the target; and inflation has been restored to the Bank of Jamaica's inflation target range of 4–6 percent.

We request that the IMF's Executive Board approve the retention of the multiple currency practice related to our multiple-price FX auction on the same grounds as was done on November 5, 2018.

With the completion of the SBA, the GOJ, in line with its pursuit of economic independence, is committed to safeguarding the hard-won gains achieved under the two successive Fund-supported programmes (EFF (2013) and SBA (2016)). These successes could not have been achieved without the significant sacrifices and efforts of the Jamaican people. As we move forward, we will take the following steps to strengthen our domestic institutions and guard against policy reversal:

- *Designing an independent Fiscal Council* which would primarily act as a guardian of our fiscal rules—as enshrined in the Fiscal Responsibility Law— which stipulates a public debt of 60 percent of GDP or less by end-March 2026.

## JAMAICA

- *Amending the BOJ Act* to make price stability the cornerstone of monetary policy, supported by a flexible exchange rate and the ensuing commitment to limiting FX interventions to episodes of severe market dislocations.
- *Adopting a natural disaster financing strategy* to hedge against costly natural hazards and *strengthening the macro-fiscal* to support sound policymaking.
- *Preserving financial sector stability*, including by legislating a special resolution regime for financial institutions and implementing consolidated risk-based supervision.

While the economy has expanded for 18 consecutive quarters and growth reached 2.0 percent in FY2018/19—approximately 3 times the average of the previous 20 years—it is lower than expected. We recognize that structural reforms need to take hold for faster growth. To that end, we are committed to further alleviating barriers to accelerated, sustained and inclusive growth. We remain committed to transforming our public sector to improve the delivery of government services and channel resources towards growth-enhancement. We will continue wider consultations and ensure social buy-in in pursuing these reforms. We remain committed to improving the governance of public bodies, including Petrojam.

As a mark of our ongoing commitment to continued policy discipline in the post-SBA period, we have signed a Memorandum of Understanding (MoU) with the Economic Programme Oversight Committee (EPOC) to continue its domestic monitoring function that holds the GOJ accountable to its reform targets and objectives. The quantitative targets underpinning our fiscal and monetary policy commitments, as well as our structural reform commitments are described in Attachments I and II. This arrangement with the EPOC shall remain in place until the Fiscal Council is operational.

The IMF has been a strong partner to Jamaica throughout the last 6½ years; we extend our utmost gratitude to the Executive Board and to the Fund staff for being our trusted advisors over this period. With our mutual agreement to keep the Resident Representative office open for the post-programme period, we hope to have continued access to the wide-ranging technical expertise at the Fund in the future. This will further strengthen our capacity to design and implement sound policies to durably improve the living standards of the Jamaican people.

In view of the strong programme performance and the strength of our policy commitments for the period beyond the programme period (Attachments I and II), we request that the Executive Board of the IMF complete this final review under the SBA.

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

Very truly yours,

/s/

Andrew Holness  
Prime Minister

/s/

Nigel Clarke  
Minister of Finance and the Public Service

/s/

Richard Byles  
Governor, Bank of Jamaica

**Table 1. Jamaica: Quantitative Performance Targets FY 2019/20–2020/21 <sup>a/</sup>**

(In billions of Jamaican dollars unless otherwise stated)

	End Dec 2019	End Mar 2020	End Jun 2020	End Sep 2020	End Dec 2020	End Mar 2021
<b>Fiscal Targets</b>						
1 Primary Balance of the Central Government (floor) <sup>1/</sup>	49.6	140.0	18.0	58.0	78.0	146.6
2 Overall Balance of the Public Sector (floor) <sup>1/</sup>	-0.8	-6.2	8.9	3.3	3.5	5.6
3 Net Increase in the Central Government Guaranteed Debt (ceiling) <sup>1/</sup>	0.0	0.0	0.0	0.0	0.0	0.0
4 Central Government Accumulation of Domestic Arrears (ceiling) <sup>2/3/</sup>	0.0	0.0	0.0	0.0	0.0	0.0
5 Central Government Accumulation of Tax Refund Arrears <sup>3/4/</sup>	0.0	0.0	0.0	0.0	0.0	0.0
6 Tax Revenues of the Central Government (floor) <sup>1/</sup>	355.0	510.0	110.0	240.0	350.0	535.0
7 Central Government Spending on Social Programmes <sup>1/5/</sup>	18.0	30.0	7.0	12.8	19.7	32.0
8 Total Loan Value of all User Funded PPPs (% of GDP) (ceiling)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>Monetary Targets</b>						
9 Stock of non-borrowed net international reserves (floor) <sup>6/7/</sup>	2,390	2,520	2,560	2,590	2,620	2,660
10 Inflation (in percent)						
Upper Band	6.0	6.0	6.0	6.0	6.0	6.0
Lower Band	4.0	4.0	4.0	4.0	4.0	4.0

1/ Cumulative flows from April 1 through March 31.

2/ Includes debt payments, supplies and other committed spending as per contractual obligations.

3/ Measured against the stock at end-March of the preceding fiscal year.

4/ Includes tax refund arrears as stipulated by law.

5/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.

6/ In millions of U.S. dollars.

7/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents.

a/ Targets are subject to revision with the approval in Parliament of the Budget in March and the Supplementary Budget in September of each year.

Table 2. Jamaica: Priority Actions FY2019/20 – FY2020/21

Priority Actions	Timeline	Responsible Agency
<b>I. MACRO-FISCAL POLICY AND MANAGEMENT</b>		
<b>1.1 Fiscal Policy and Institutional Reform</b>		
Strengthen Macro-Fiscal capacity of the Ministry of Finance and the Public Service.	Continuous	MOFPS, TAJ, PIOJ
Develop and submit to Parliament a National Natural Disaster Risk Financing Policy for Jamaica by December 2019.	Dec-19	MOFPS
Submit to Parliament legislation establishing a Fiscal Council by April 2020.	Apr-20	MOFPS
The granting of discretionary tax waivers is subject to a <i>de minimis</i> cap of J\$10 million in any month.	Continuous	MOFPS
Table amendments/regulations to/for the Large-scale Projects and Pioneer Industries Act including to specify qualification criteria under the Act.	Sep-20	MOFPS
<b>1.2 Revenue Administration</b>		
Table core regulations for the new Customs Act in Parliament.	Sep-20	JCA, MOFPS
Complete procurement and configuration of Phase 1 of the IT infrastructure for Electronic Single Window System Project.	Jun-20	JCA, MOFPS
<b>1.3 Public Financial Management</b>		
Complete legal review of commercial bank accounts with government cash balances.	Jun-20	AGD/MOFPS
<b>1.4 Debt Management</b>		
Complete implementation of phase 2 of the upgrade of the Central Securities Depository (JamClear-CSD).	Dec-19	MOFPS/BOJ
<b>II. MONETARY POLICY AND FINANCIAL SECTOR DEVELOPMENT</b>		
<b>2.1 Monetary Policy</b>		
Present to Parliament, the report of the Joint Select Committee of Parliament on the Bill to amend the BOJ Act and related legislation. The Bill, among other things, seeks to enhance the BOJ's governance framework, clarify BOJ's mandate and improve central bank governance and independence. The provisions of the Bill will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government.	Dec-19	MOFP/BOJ

**Table 2. Jamaica: Priority Actions FY2019/20 – FY2020/21 (continued)**

<b>Priority Actions</b>	<b>Timeline</b>	<b>Responsible Agency</b>
Maintain gross reserves of at least 100 percent of the ARA benchmark continuously.	Continuous	BOJ
Draft regulation by March 2020 which will facilitate the introduction of the Liquidity Coverage Ratio and the corresponding phase-out of the Liquid Asset Requirement (non-cash) by June 2020.	Mar-20	MOFPS/BOJ
Strengthen market infrastructure and price transparency by introducing a FX market trading platform (which would be integrated with the existing payment and settlement system), with supporting regulations, by March 2020. The first phase of the platform, which will facilitate inter-dealer USD/JMD spot trades, to be operational by March 2020.	Mar-20	BOJ
<b>2.2 Financial Sector Stability and Development</b>		
Submit legislation to Parliament for a Special Resolution Regime (crisis resolution) for financial institutions, including a modified insolvency regime, and funding modalities.	Mar-21	MOFPS/BOJ/FSC/ JDIC
Complete further amendments to the Micro Credit Act for introduction in Parliament.	Dec-19	MOFPS/BOJ/FSC
Submit legislation to Parliament to amend the Cooperative Societies Act (CSA), accompanied by the legislative proposals for the prudential regulatory regime for credit unions.	Jun-20	MOFPS/ MICAF/BOJ
Table in Parliament Banking Services (Financial Holding Companies) Licensing and Application Form Rule for affirmative resolution.	Oct-19	MOFPS/BOJ
Table legislation for the amendment of the Pensions (Superannuation Funds and Retirement Schemes) Act and consequential amendments to Income Tax regulations in Parliament to broaden array of pension products available and to achieve full portability of pensions.	Apr-20	MOFPS/FSC/TAJ
<b>2.3 Financial Inclusion</b>		
Complete the design of the platform to facilitate interoperability of mobile payment services.	Oct-20	BOJ
Facilitate access to financial services by tabling of amendments to the Proceeds of Crime Act (POCA) to allow for a risk-based approach to KYC and CDD.	Oct-19	MNS/MOFPS/BOJ

**Table 2. Jamaica: Priority Actions FY2019/20 – FY2020/21 (continued)**

<b>Priority Actions</b>	<b>Timeline</b>	<b>Responsible Agency</b>
Improve SME financing by developing platform to facilitate the secondary market for moveable collateral. Recommendations for the most suitable e-commerce platform to be completed by March 2020.	Mar-20	MICAF, MOFPS
Deliver 4,000 new titles out of the three-year commitment of 20,000 titles under the merged LAMP/NLA programme.	Apr-20	MEGJC
<b>III. PUBLIC SECTOR TRANSFORMATION</b>		
<b>3.1 Public Sector Reform</b>		
Start up HR shared services Pilot.	May-20	MOFPS/TIU
Start Build and Test for Internal Audit shared services.	May-20	MOFPS/TIU
Begin the roll-out of GovNet.	Apr-20	MOFPS/TIU/MSET
Complete inventory of public sector functions/services with a recommendation for prioritization for submission to Cabinet.	Jun-20	MOFPS
Complete stakeholder consultations on compensation reform, develop a proposed standardized salary scale for the central government, and submit to Cabinet completed standardized salary scales with an implementation plan for approval.	Dec-20	MOFPS
Complete roll-out of the human resources software (MyHR+) for an additional seven (7) entities.	Mar-20	MOFPS
Integrate Government Financial Management System (GFMS) with the MyHR+ System to facilitate payroll payments for MDAs which use both GFMS and MyHR+.	Mar-20	MOFPS
<b>3.2 Public Bodies</b>		
Complete the merger/closure/reintegration of an additional 18 public bodies for action as identified in the Public Bodies Action List (inclusive of the 12 already underway).	Mar-20	MOFPS/TIU
Complete the merger/closure/reintegration of an additional 12 entities over the period during calendar year 2020.	Dec-20	MOFPS/TIU

**Table 2. Jamaica: Priority Actions FY2019/20 – FY2020/21 (concluded)**

Priority Actions	Timeline	Responsible Agency
The total stock of domestic arrears (as defined in the Attachment with definition of targets) of the following public bodies will be capped at J\$6.4 billion: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	MOFPS
Complete the divestment of Jamaica Mortgage Bank.	Oct-20	DBJ/TIU
<b>3.3 Governance</b>		
Table regulations in Parliament that address the nomination, selection and appointment of persons to boards of public bodies.	Dec-19	MOFPS
Submit to Cabinet a revised fuel pricing mechanism.	Mar-20	MSET/ Petrojam
Develop and submit to Cabinet the National Anti-Corruption Strategy.	Sep-20	Integrity Commission

## Attachment II. Definitions of Quantitative Targets

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

### Fiscal Targets

**2. Cumulative Floor of the Central Government Primary Balance:** 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. Revenues are recorded when the funds are transferred to a government revenue account. Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Government-funded PPPs will be treated as traditional public procurements. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly. 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.

**3. Cumulative Floor on Overall Balance of the Public Sector:** The public sector refers to the “Specified Public Sector” (SPS) as defined under the Fiscal Responsibility Law (FRL). In particular, it consists of the central government and self-financed public bodies that are not deemed “commercial” by the Office of the Auditor General (OAG), based on the set of legislated criteria. It excludes the Bank of Jamaica (BOJ). For the purposes of programme monitoring, public bodies will consist of the following self-financed public bodies: AEROTEL; Airports Authority of Jamaica; Betting, Gaming and Lotteries Commission; Broadcasting Commission; Bureau of Standards; Clarendon Alumina Production Limited; Coconut Industry Board; Development Bank of Jamaica Limited; Factories Corporation of Jamaica; Financial Services Commission; Firearm Licensing Authority; Harmonisation Limited; HEART Trust- NTA; Housing Agency of Jamaica Limited; Jamaica Agricultural Commodities Regulatory Authority; Jamaica Bauxite Institute; Jamaica Bauxite Mining; Jamaica Deposit Insurance Corp.; Jamaica International Freezone Limited; Jamaica Mortgage Bank; Jamaica National Accreditation Agency; Jamaica Racing Commission; Jamaica Railway Corporation; Jamaica Ultimate Tyre Company Limited; Jamaica Urban Transport Company Limited; Kingston Free Zone Limited; Micro Investment Development Agency; Montego Bay Free Zone; Montego Bay Metro Limited; National Export Import Bank of Jamaica - EX-IM Bank; National Health Fund; National Housing Trust; National Insurance Fund; National Water Commission; National Road Operating and Constructing Company Limited; Ocho Rios Commercial Centre Limited; Office of Utilities Regulation;

Overseas Examination Commission; Petrojam Ethanol Limited; Petrojam Limited; Petroleum Corporation of Jamaica; Port Authority of Jamaica; Ports Management and Security Limited; Ports Security Corps Limited; Postal Corporation of Jamaica; Public Accountancy Board; Runaway Bay Water Company Limited; SCJ Holdings Limited; Spectrum Management Authority; St Ann Development Company Limited; Student Loan Bureau; Sugar Industry Authority; Transport Authority; Universal Service Fund; Urban Development Corporation.

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

**4. Ceiling on Net Increase in Central Government Guaranteed Debt:** 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 prevailing exchange rate. In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards in order to preserve the performance criteria.

**5. Ceiling on Central Government Accumulation of Domestic Arrears:** 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 of the preceding fiscal year.

**6. Ceiling on Central Government Accumulation of Tax Refund Arrears:** 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 of the preceding fiscal year.

**7. Cumulative Floor on Central Government Tax Revenues:** Tax revenues refer to revenues from tax collection. It excludes all revenues from asset sales, grants, bauxite levy and non-tax revenues. The revenue target is calculated as the cumulative flow from the beginning to the end of the fiscal year (April 1 to March 31).

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

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, adults under 65 grants and adults over 65 grants; and
- Poor relief programme.

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

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

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

liabilities to the government). For the purpose of this condition, the applicable GDP is the projected nominal GDP for the ongoing fiscal year published in the Fiscal Policy Paper tabled in parliament ahead of the adoption of the relevant fiscal years' budget.

**10. Public Bodies' Arrears:** The total combined stock of domestic arrears of the following public bodies will be capped at J\$6.4 billion: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF). The domestic arrears will be monitored on a monthly basis. Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date on which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Public bodies' domestic arrears include arrears on suppliers' credits. For the purposes of this measure, arrears on taxes due to the central government, including on PAYE and education tax, are excluded.

### **Monetary Targets**

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

**12. 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 non-residents 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.

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

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

**15. Adjusters:** The non-borrowed NIR targets will be adjusted upward (downward) by the surplus (shortfall) in expected loan disbursements from multilateral institutions (the IBRD, IDB and CDB) and commercial loans guaranteed by multilateral sources, relative to the baseline projection reported in table below. Loan disbursements are defined as external loan disbursements (excluding project financing disbursements) from official creditors that are usable for the financing of the consolidated government. The non-borrowed NIR targets will be adjusted upward (downward) by the surplus (shortfall) in loan disbursements to the central government that are purchased by or deposited at the BOJ, relative to the baseline projection reported below.

<b>Table 1. Jamaica: External Disbursements (Baseline Projection)</b>	
Cumulative flows from end-September 2019	(in millions of US\$)
<b>External Loans from multilateral sources</b>	
end-December 2019	105
end-March 2020	105
end- June 2020	105
end-September 2020	130
end-December 2020	130
end-March 2021	305
<b>Commercial loans guaranteed by multilateral sources</b>	
end-December 2019	0
end-March 2020	0
end- June 2020	0
end-September 2020	0
end-December 2020	0
end-March 2021	0

**Table 1. Jamaica: Schedule of Reviews and Purchases**

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

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

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

	2018				2019				
	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target	Actual	Performance Criteria	Adjusted Performance Criteria	Actual	Indicative Target
		end-December		end-March		end-June		end-Sept.	
<b>Fiscal targets</b>									
<i>Performance Criteria</i>									
1. Primary balance of the central government (floor) 3/	68.0	68.0	107.7	141.6	153.6	19.0	19.0	37.9	35.7
2. Overall balance of the public sector (floor) 3/	-41.1	-36.6	29.7	-14.7	36.8	-14.0	-14.0	18.0	-25.0
3. Net increase in the central government guaranteed debt (ceiling) 3/	-8.4	-8.4	-11.1	-8.4	-11.9	0.0	0.0	-1.4	0.0
4. Central government accumulation of domestic arrears (ceiling) 4/ 10/	0.0	0.0	-5.2	0.0	-5.8	0.0	0.0	-7.4	0.0
5. Central government accumulation of tax refund arrears (ceiling) 5/ 10/	0.0	0.0	-12.4	0.0	-12.7	0.0	0.0	-14.4	0.0
6. Accumulation of external debt payment arrears (ceiling) 4/ 9/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Indicative targets</i>									
7. Tax revenues of the central government (floor) 3/	360.0	360.0	388.7	516.0	542.9	115.0	115.0	137.4	242.0
8. Change in the stock of public bodies non-guaranteed debt (ceiling) 11/	18.0	18.0	15.2	20.0	17.8	22.0	22.0	11.0	24.0
9. Central government spending on social programs (floor) 3/ 7/	19.4	19.4	28.3	28.2	34.6	6.7	6.7	11.0	12.3
10. Total loan value of all user funded PPPs (ceiling, percent of GDP)	3.0	3.0	1.6	3.0	1.6	3.0	3.0	1.5	3.0
<b>Monetary targets</b>									
11. Stock of non-borrowed net international reserves (floor) 6/ 8/	2,200	2,200	2,521	2,200	2,634	2,250	2,202	2,587	2,300
12. <i>Monetary policy consultation clause (in percent) 12/</i>									
Outer band (upper)	6.5			6.0		6.0			6.0
Center inflation target	5.0		2.4	5.0	3.4	5.0		4.2	5.0
Inner band (lower)	3.5			4.0		4.0			4.0
Outer band (lower)	2.0			2.5		2.5			2.5

1/ Targets as defined in the Technical Memorandum of Understanding (TMU).

2/ Based on program exchange rates defined in the TMU.

3/ Cumulative flows from April 1 through March 31.

4/ Includes debt payments, supplies and other committed spending as per contractual obligations; full definition in TMU.

5/ Includes tax refund arrears as stipulated by law.

6/ In millions of U.S. dollars.

7/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes (defined in TMU).

8/ Stock of BOJ NIR minus all foreign currency CDs to domestic residents; full definition in TMU.

9/ Continuous performance criterion.

10/ The accumulation is measured against the stock at end-March 2016, which is J\$21.0 billion for domestic arrears and J\$17.3 billion for tax arrears.

11/ For end-Dec 2016 and end-Mar 2017, these are cumulative flows from October 1, 2016. For subsequent dates, these are cumulative flows from April 1, 2017.

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

Table 3. Jamaica: Structural Program Conditionality

Structural Benchmarks	Timing	Implementation status
<b>Fiscal Reforms</b>		
1 The new rates and bands for property taxes using the 2013 land valuations will be completed and submitted to Cabinet.	December 31, 2016	Met
<b>Monetary policy and financial sector</b>		
2 Operationalize Financial System Stability Committee by finalizing the appointment of two external members.	November 30, 2016	Met
3 Issue for public comment a consultation paper for the resolution framework, developed with support from IMF TA, which describes the draft legislation.	February 28, 2017	Met
4 Establish a financial inclusion council to implement the Cabinet-approved umbrella financial inclusion strategy for the period 2016-20.	March 31, 2017	Met
5 Instituting mechanisms to ensure full compliance with the provisions of the Securities (Retail Repurchase Agreement) Regulations that require "retail repos" to be governed by a MRRA that is signed by both the dealer and the client.	May 30, 2017	Met
6 Submit to cabinet a proposal for the crisis resolution framework, based on the outcomes of the consultation paper	July 31, 2017	Met
7 Submit to Cabinet a proposal for revising the BoJ Act in line with IMF recommendations.	August 31, 2017	Met
8 To enhance the BoJ's governance framework, submit revisions of the BOJ Act to Parliament to - among other things - improve central bank governance and independence, in line with IMF recommendations. The revisions will modernize arrangements for paying dividends, appointments to the BOJ Board, and provisions of central bank financing to the government.	October 31, 2018	
<b>Public Sector Transformation</b>		
9 Build a comprehensive database—by occupational grouping and that includes all types of allowances paid, their amounts as well as the number of employees receiving each type of allowance in a given fiscal year—across ministries, departments, and agencies to ensure adequate control and oversight over this part of the wage bill. Pilots for the Ministry of Finance and the Public Service, the Ministry of Health (medical professionals), Ministry of Education, Youth, and Information (teaching groups) and the Jamaica Constabulary Force (police groups) are ongoing. The database for all entities in the central government wage bill will be completed by March 2017	March 31, 2017	Met
10 Complete an employee verification exercise. Island-wide pilots at the Ministry of Finance and the Public Service, the civilian population of the police department, the NIS, and the non-teaching personnel at the Ministry of Education are ongoing. The verification for all entities in the central government wage bill will be finalized by March 2017.	March 31, 2017	Met
11 The creation and application of strict unambiguous rules for the decisions of the Post Operations Committee regarding all types of employment including acting. These rules are to establish a percentage reduction rate which effectively controls the rate of employment and creates a sharp downward trajectory whilst ensuring that the public sector is properly resourced.	March 31, 2017	Met
12 Informed by the compensation review results from end-March 2017, submit public sector wage negotiation framework to Cabinet for approval.	April 30, 2017	Met
13 Identify positions that will be affected due to the implementation of shared corporate services in human resources and quantify the implications through the development of a costed transition plan and schedule.	May 30, 2017	Met
14 Institute rules prohibiting the rehiring of participants in the early retirement program into the public sector for at least 5 years unless the person returns the incentive.	May 30, 2017	Met
15 Submit to the Governor General through Cabinet rules and standards for the Public Service Commission for limiting the approval of continued employment after retirement age, including as contract officers.	May 30, 2017	Met
16 Submit to parliament all necessary legislative changes to direct all earmarked revenues from the Jamaica Civil Aviation Authority, the Tourism Enhancement Fund, and the CHASE Fund to the consolidated fund.	June 15, 2017	Met
17 Submit to Cabinet a time-bound plan to reintegrate eligible public bodies into central government, consistent with the public financial management principles of the policy on public bodies.	July 31, 2017	Met
18 Submit to Cabinet a medium-term policy and implementation plan to revise the performance-based merit increases to make them more meaningfully related to the performance management appraisal system	September 30, 2017	Met
19 Submit to Cabinet a proposal to institute clear rules for hiring, promotion and exit.	September 30, 2017	Met
20 The following entities will be closed: (i) Board of Supervision, (ii) Road Maintenance Fund, (iii) Kingston Waterfront Hotel Company Limited, (iv) Montego Shopping Centre Limited, and (v) Portmore Commercial Development Ltd. In addition, the Children's Registry will be reintegrated into the Child Development Agency.	October 31, 2017	Met
21 Finalize the operational merger of HEART/NTA, Jamaica Foundation for Lifelong Learning, and the National Youth Service.	October 31, 2017	Met
22 Identify positions that will be affected due to the implementation of shared corporate services in Public Relations and Communications, and Internal Audit and quantify the implications through the development of a costed transition plan and schedule.	November 30, 2017	Met
23 The total stock of domestic arrears (as defined in the TMU) of the following public bodies will be capped at J\$6.4 billion during the program period: Clarendon Alumina Production (CAP), National Water Commission (NWC), Jamaica Urban Transit Company (JUTC), Housing Agency of Jamaica (HAJ), Urban Development Corporation (UDC), the National Road Operating and Constructing Company (NROCC), and the National Health Fund (NHF) and monitored on a monthly basis.	Monthly	

**Statement by Louise Levonian, Executive Director for Jamaica and  
Courtney Williams, Senior Advisor to the Executive Director  
November 4, 2019**

**Sixth Review Under the Stand-By Arrangement**

**Our Jamaican authorities thank the Executive Board, management, and staff for their strong engagement that has enabled Jamaica to navigate a successful path toward achieving economic independence.** Rising macroeconomic vulnerabilities in 2013 heralded an opportunity for a national consensus around difficult yet necessary macrofinancial and structural reforms. Through two Fund-supported programs across two administrations over the last 6 ½ years, Jamaica has become a beacon for strong program ownership and policy implementation. The Fund has been supportive of Jamaica along this journey, including through communicating the challenges and options, providing sound policy advice, and delivering tailored technical assistance (TA). Jamaica will require similar technical support in the post-program period to further strengthen macrofiscal capacity.

**Jamaica faced limited options to rescue the worrisome economic trends.** By the end of fiscal year 2012/13, the economy was at a crossroads characterized by high debt distress and deteriorating external viability. Public debt approached 150 percent of GDP and the country was virtually locked out of the capital markets and without needed multilateral support. Gross reserves dropped to 12 weeks of import coverage as the current account deficit surged above 12 percent of GDP. Inflation neared double digits and wage pressures were rising. To restore economic viability, Jamaica decisively undertook bold and unpopular measures backed firstly by an EFF followed by a precautionary SBA.

**The Jamaican economy has since been remarkably transformed and achieved key milestones.** Public debt is now below 100 percent of GDP for the first time in nearly two decades. Jamaica's credit ratings have risen appreciably and borrowing rates in both the local and international markets are at their lowest ever levels. Employment is at an all-time high and unemployment at record low. Inflation is well anchored at low single digits and the narrative and discourse have been rightly shifting from a preoccupation with the exchange rate toward inflation. Moreover, Jamaica's external viability has been considerably enhanced with international reserves at comfortable levels supported by historically low current account deficits. Jamaica also implemented a raft of profound reforms that markedly improved fiscal sustainability and financial sector soundness. Notably, consumer and business confidence registered record highs in 2019. These achievements were aided by solid stakeholder support led by the pioneering Economic Programme Oversight Committee.

**Still, more work remains to be done to make the Jamaican economy roundly resilient.**

Growth has been disappointing, and poverty though lowered over the last 6 years remain elevated. Against this backdrop, our authorities will continue to enhance structural capacity - roads, ports, airports, housing, and agricultural infrastructure - to position Jamaica to capitalize on increasing economic opportunities. They will also sustain fiscal discipline to maintain public debt on a declining path and advance public sector transformation and public bodies reform. In this regard, the related measures outlined in our authorities' table of Priority Actions are geared at modernizing the public sector and at the same time freeing up fiscal space to support growth-friendly and priority social spending.

**National imperatives will continue to drive policy actions.** Fund advice has found considerable traction with Jamaica. Our authorities are mindful that any departure from fiscal discipline in the post-program period will have adverse consequences. In this context, they are strengthening the institutional framework to safeguard fiscal prudence and preserve macroeconomic stability. To this end, legislation is underway to establish a Fiscal Council and to strengthen the Bank of Jamaica's (BOJ) independence and modernize its governance framework. Jamaica will also establish its own targets to facilitate post-program domestic monitoring comparable to a Fund program arrangement.

## **I. Fiscal Policy and Debt Management**

**Strong fiscal performance underpinned the successful implementation of the program.**

The over-performance of the primary surplus enabled a faster fall in public debt to 94 percent of GDP in 2019, compared to the initial EFF target of 96 percent by 2020. Sound tax policy and tax administration reforms that included a strategic shift from direct to indirect taxes and a slate of measures that effectively reduced tax expenditures and improved compliance contributed to revenues surpassing budget each year of the SBA. This buoyancy created fiscal space to scale up public investment, strengthen social protection, and reduce distortionary financial taxes. In this context, capital expenditure doubled over the last 5 years to reach 3.3 percent of GDP while spending on social programs continually exceeded targets.

**Going forward, Jamaica will sustain the tight rein on fiscal operations.** Our authorities passed a Supplementary Budget in October that maintains the fiscal stance while allowing for reallocations to accommodate new demands, including for road improvements. Looking ahead, in addition to steering debt toward the legislated 60 percent of GDP ceiling by 2026, fiscal policy will continue to support growth-friendly spending, public safety, and social protection. The ongoing public expenditure review of Jamaica's Social Protection System by the World Bank will provide further guidance toward these goals. Relatedly, the Government of Jamaica (GOJ) is committed to completing a new compensation framework by December 2020. The framework will provide an opportunity for the GOJ to adopt a standardized and more competitive compensation structure while still adhering to the wage bill ceiling.

## II. Monetary Policy and Financial Sector Developments

**The BOJ will continue to implement monetary policy aimed at maintaining inflation within the target range of 4 - 6 percent over the medium term.** Our authorities are optimistic that inflation will track toward the midpoint of the target band though the balance of risks is skewed to the lower end. However, with policy rates near the zero bound, room for a more accommodative stance is limited. The BOJ and staff agree that a halt to further rate reductions is appropriate and that the Bank should continue to assess the macroeconomic impact of recent monetary loosening and fiscal stimulus. Our authorities appreciate staff's caution against unconventional monetary policy over concerns that it may lead to unintended consequences and not strengthen the transmission mechanisms. That said, foreign exchange intervention will continue to be guided by the need to smooth unwarranted volatility.

**Our authorities will step up efforts towards making the financial system more resilient and inclusive.** While the financial sector remains stable, further work is required to mitigate pockets of risks. In this regard, this month's amendments to the Proceeds of Crime Act and Terrorism Prevention Act will be key toward bolstering the AML/CFT regime. Furthermore, the BOJ and the Financial Services Commission will continue to strengthen collaboration on consolidated supervision. Deepening financial inclusion, which is integral to promoting broad-based growth, remains a priority for our authorities. They will continue to vigorously pursue efforts to improve access to credit and foster inclusion. This will include passage of legislation expected in 2020, not least of which are the Microcredit and Credit Union Bills.

## III. Growth Enhancement

**Growth remains moderate even as the baseline has strengthened.** While growth averaged 1.5 percent annually during the last three years, roughly double the annual average rate for the two decades prior to the commencement of the SBA, our authorities are disappointed given Jamaica's vast potential. This level of growth is inadequate to meaningfully increase per capita income and significantly dent poverty.

**The GOJ has been determinedly improving the business environment to invigorate private sector activity.** The fiscal stimulus in the 2019/20 budget - lower taxes and sizeable spending increases on infrastructure and crime fighting - will complement ongoing structural and financial sector reforms to bolster inclusive growth. Our authorities remain resolute in the fight against crime, which continues to impede investment and growth. To this end, they are putting in the requisite infrastructure to improve border security and enhance monitoring of the country's air and marine space. Unfortunately, the nascent growth momentum will be dampened by temporary closure of the Alpart alumina refinery to facilitate plant upgrades, causing growth to slow down from 2.0 percent in 2018/19 to about 0.7 percent in 2019/20.

**Jamaica will redouble efforts to accelerate supply side reforms amid the growth setback.** In addition to the continued focus on enhancing public safety, measures to improve access to finance and upgrade human capital and physical infrastructure will be at the top of the agenda. These will be complemented by deeper public sector and governance reforms, including in the energy sector, as outlined in our authorities' set of Priority Actions. Our authorities welcome staff's assessment of Petrojam's fuel pricing mechanism, and more broadly the refinery's viability. The GOJ is carefully weighing the options for a course of action in the best interest of the country.

#### **IV. Institutional Strengthening**

**As Jamaica transitions into a post-program environment, the foremost next steps will involve strengthening domestic institutions.** This will be key to build on the successes to date, reinforce policy and operational credibility, and sustain the reform momentum. The main areas for institutional enhancements will include: strengthening the BOJ's independence with a clear price stability mandate and modernizing its governance framework; establishing an independent Fiscal Council through legislation to be tabled in Parliament by April 2020; and developing a National Natural Disaster Risk Financing Policy with World Bank's assistance for submission to Parliament by December 2019.

#### **V. Conclusion**

**Jamaica's experience under successive Fund-supported programs underscores the criticality of strong domestic ownership, sound national policies, steady commitment to reforms, and broad stakeholder support for program success.** Over the last 6 ½ years, Jamaica has built up an impressive track record of policy commitment and implementation that paid rich dividends with macroeconomic stability firmly entrenched. The path to success has been demanding and entailed tremendous sacrifices and efforts from public and private sector stakeholders, workers, and civil society. Jamaica remains grateful to the Fund and other development partners for the strong support throughout the journey.

**Our Jamaican authorities are fully aware that much work is ahead.** Further effort will be needed to substantially lift growth, strengthen the economy's resilience, and ensure benefits are more widely shared. The foundation has been laid for stronger and more inclusive growth and the requisite institutions to guard against policy slippages are being strengthened. Looking ahead, bold and astute leadership complemented by broad-based stakeholder support will be integral to Jamaica realizing its vision of being *the place of choice to live, work, raise families, and do business.*