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September 24, 2010

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

September 14, 2010

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

LETTER OF INTENT

Kingston, Jamaica
September 14, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Mr. Strauss-Kahn:

Performance under the economic programme continues to be favourable. Since February, financial market sentiment has improved substantially, and is reflected in the Treasury bill rate falling to its lowest level in over 30 years, a significant appreciation of the Jamaica dollar, and a greater-than-projected decline in inflation. However, growth remains weak, and unemployment rates remain unacceptably high. We are encouraged by some positive signs in the economy, especially in the mining sector, where WINDALCO, a large alumina plant has resumed operations ahead of schedule. The government remains confident that the benefits from a more stable macroeconomic environment will begin to deliver growth dividends soon.

The positive economic developments thus far are the result of the government's resolute approach to tackling the country's fundamental economic problems, in particular the unsustainable fiscal situation. For the first quarter of the fiscal year, the overall public sector deficit was J\$ 13 billion, compared with J\$ 37 billion for the corresponding period last year. Furthermore, all the fiscal targets for June under the Stand-By Arrangement (SBA) were met, as were the monetary and net international reserves (NIR) targets.

The government remains firmly committed to achieving the full-year deficit, debt, and arrears performance targets set out in the June 2010 Memorandum of Economic and Financial Policies (MEFP). However, there will be a need to adjust slightly the central government primary surplus target in order to accommodate the unplanned spending resulting from the State of Emergency and some of the shortfall in revenues arising from the better-than-expected results on inflation and interest rates. The government continues to cautiously execute its expenditure budget and plans to reallocate spending within the budgetary envelope in order to minimize the reduction in the primary surplus.

The government continues to press ahead in implementing its structural reform agenda outlined in the January 2010 and June 2010 MEFPs. In the fiscal area, an action plan has been prepared (June 2010 structural benchmark) to ensure that the interim Central Treasury

Management System (CTMS) is in place by the start of the next fiscal year; modernization strategies for the tax and customs administration in line with the recommendations of IMF technical assistance experts have been defined; the process of significantly scaling back tax waivers has begun (inclusive of a moratorium on discretionary waivers) while a plan for a complete overhaul of the system by end-2010 is prepared; and draft amendments of the Fiscal Responsibility Framework are being prepared. In July, the government tabled in Parliament the report of the Public Sector Transformation Unit. This report will be an important input into the government's strategy to rationalize and improve the efficiency of the public sector, which remains on track to be finalized by the end of 2010. The divestment program is moving ahead. After divesting Air Jamaica, the government has now divested Sugar Company of Jamaica and is at an advanced stage with respect to the divestment of its shares in Clarendon Alumina Production Ltd.

In the financial sector, the government continues to work very closely with the IMF in a number of areas. These include preparing the amendments to the Bank of Jamaica Act to give the BOJ overall responsibility for stability of the financial system; developing enhanced prudential requirements for the securities dealers sector; and preparing a concept paper outlining measures to combat unlawful financial operations. In this latter case, however, we were unable to meet the end-June structural benchmark because of an unavoidable delay in the IMF technical assistance mission. The mission subsequently took place in late July and we are on track to have the draft concept paper completed by end-October. In line with our commitment to further strengthen the prudential requirements for the financial system, the first instalment (12.5 percent) in the risk-weighting of foreign currency-denominated debt was introduced at end-June.

The government will maintain the productive and fruitful dialogue it has enjoyed with the IMF. In this spirit of cooperation, it will consult with the Fund in advance of revisions to the policies contained in the MEFPs, in accordance with the Fund's policies on such consultations. Appendix 1 to this letter is an update to the June 2010 MEFP that provides details of the compliance with the end-June performance targets and an update of the government's macroeconomic policies and structural reform measures for the remainder of the year. Appendix 2 is the Technical Memorandum of Understanding, which contains revised quantitative performance targets for September 2010, new performance targets for December 2010, and revised indicative targets for March 2011.

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

As part of the government's communication policy, this letter will be published on the websites of the Ministry of Finance and the Public Service and the Bank of Jamaica to keep domestic and international agents informed about our policy actions and intentions. In that context, the Fund is hereby authorized to publish this letter and the attached MEFP.

Very truly yours,

Audley Shaw, MP
Minister of Finance and the Public Service
Jamaica

Brian Wynter
Governor, Bank of Jamaica
Jamaica

APPENDIX 1. JAMAICA—MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. BACKGROUND AND RECENT DEVELOPMENTS

1. **Overall economic performance during the first quarter of FY2010/11 was positive.** Financial market conditions have continued to improve and most macroeconomic indicators are moving in the correct direction, although economic activity remains weak.
 - **Economic growth.** Real GDP is estimated to have declined by 0.8 percent (y-o-y) in the first quarter of FY2010/11. Tourism continues to show remarkable resilience, with stay-over arrivals bouncing to record levels in July and August following the state of emergency in Kingston during May-July. The outlook for the mining sector has improved with the recent reopening of the WINDALCO alumina plant, and the sugar industry will receive a substantial boost in investment upon conclusion of the sale of the government-owned sugar factories to a Chinese firm.
 - **Inflation.** Inflation has come down to an average monthly rate of 0.5 percent during the last three months and the Bank of Jamaica now projects that annual inflation for this fiscal year will be in the 6–8 percent target range.
 - **Balance of Payments.** The FY2009/10 outturn for the external current account was a deficit of 7.5 percent of GDP, 1.3 percentage points lower than projected at the time of the first SBA review. This reflected a better outturn during the last quarter of the fiscal year, resulting from a combination of lower-than-projected imports and strong growth in non-traditional exports. The stronger current account and the smaller-than-expected net capital outflows led to an improvement in net international reserves (NIR).
 - **Public Finances.** The central government deficit for the first quarter of FY2010/11 was 0.6 percent of GDP lower than projected at the time of the first SBA review, reflecting better-than-anticipated outcomes for the primary surplus and the interest bill. The primary surplus for the April-June period was J\$10.6 billion, significantly above program projections (J\$6.5 billion). Total tax revenues were slightly higher than projections but masked important deviations in some subcategories. Strong GCT (value-added tax) collections, reflecting stepped up tax administration efforts, more than offset lower-than-projected revenues from the withholding taxes on wages and interest. The shortfall in the withholding tax on wages reflected some compliance problems which have since been addressed. The government has been largely successful in keeping primary spending in line with program projections, holding a firm line on the wage bill, while being cautious in the execution of programme and capital spending.
 - **Financial System.** Since February, financial market sentiment has improved substantially, reflected in the 180-day Treasury bill rate falling to 8.2 percent (its lowest level

in over 30 years) and the currency appreciating by around 4 percent. Financial institutions continue to adjust to the post-JDX environment without requiring assistance from the Financial System Support Fund (FSSF). The weak economy has resulted in negative credit growth and an increase in nonperforming loans to 5.9 percent of total loans in June 2010 from 4.7 percent in December 2009. However, provisioning levels remain relatively high, at 70 percent.

II. PERFORMANCE UNDER THE PROGRAMME

2. **All end-June quantitative performance targets were met (Table 1).**¹ The central government's primary balance surplus, public entities balance, net international reserves, and net domestic assets targets were comfortably met while no expenditure, tax refund, and external arrears were accumulated. The lower than anticipated fiscal deficit, coupled with pre-financing and a faster than anticipated pace in external debt disbursements, resulted in an accumulation of deposits of about J\$13 billion (1.1 percent of GDP) in the first quarter of FY2010. After adjusting for the impact of pre-financing and the faster disbursement pace (i.e. program consistent adjustments), the change in central government direct debt target was met. The net increase in central government guaranteed debt target was also met. The central government direct debt target was adjusted to reflect the anticipated takeover of SCJ debt included in programme projections, now expected to take place in the second quarter of FY2010/11 rather than in the first quarter, due to administrative delays.²

Table 1. Program Monitoring: Quantitative Performance Criteria (PC) under Jamaica's SBA 1/

(in J\$ billions)	Jun-10	SBA PC 2nd Review end Jun-10	Adjustments	Adjusted SBA PCs 7/	Proj. Diff.	Status of SBA PC
Fiscal targets						
1. Primary balance of the central administration (floor) 2/	10.6	6.5			4.1	Met
2. Overall balance of public entities (floor) 2/	-1.9	-3.0			1.1	Met
3. Cumulative net increase in central government direct debt (ceiling) 2/, 3/	19.6	30.9	-9.4	21.5	-1.9	Met
4. Cumulative net increase in central government guaranteed debt (ceiling) 2/ 7/	5.6	3.2	9.4	12.6	-7.0	Met
5. Central government accumulation of domestic expenditure arrears (ceiling) 4/	0.0	0.0			0.0	Met
6. Central government accumulation of tax refund arrears (ceiling) 5/	-0.5	0.0			0.5	Met
7. Consolidated government accumulation of external arrears (ceiling) 6/	0.0	0.0			0.0	Met
Monetary targets						
8. Cumulative change in net international reserves (floor) 2/, 6/	-2.3	-310.2			307.9	Met
9. Cumulative change in net domestic assets (ceiling) 2/	-0.2	31.3			-31.6	Met

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

2/ Cumulative flows since March 31.

3/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits and includes program consistent adjustments.

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

5/ Includes tax refund arrears as stipulated by law.

6/ In millions of US dollars. Measured at program exchange rates. PC incorporated automatic adjusters specified in TMU.

7/ Original targets for Q1 assumed that debts of the SCJ of 9.4 billion J\$ bn. would be taken over adding to the stock of central government direct debt but did not occur due to administrative delays. This is expected to occur in the second quarter of FY2010/2011. The authorities clarified that the SCJ loans that would be taken over were never part of the stock of guarantees.

¹ Published debt numbers differ from those calculated in the programme owing to technical factors, such as the assumption of constant exchange rates used in the program. Published debt numbers for FY2009/10 also include debt that was actually contracted in the previous fiscal year because of delays in receiving the documentation for recording of external debt.

²The takeover of SCJ debt by the Government of Jamaica did not occur in the first quarter, therefore the net change in the central government direct debt target was adjusted downwards by J\$ 9.4 billion.

3. **One of the two end-June structural benchmarks was met.** The structural benchmark relating to the preparation of a time bound action plan to establish a central Treasury management system (CTMS) was met. On the other hand, the structural benchmark to prepare a draft concept paper outlining measures to combat unlawful financial operations was not met. This is because a technical assistance (TA) mission which was to provide crucial input in the exercise had to be postponed due to restrictions on mission travel to Jamaica in May and June owing to the state of emergency. The TA has since been provided and the authorities are advancing in the preparation of the concept paper (paragraph 12).

Table 2: Jamaica: Quantitative Performance Criteria 1/

(in J\$ billions)	2010			2011
	end Jun. observed	end Sept. performance criteria	end Dec.	end Mar. indic. target
Fiscal targets				
1. Primary balance of the central administration (floor) 2/	10.6	18.8	30.9	60.7
2. Overall balance of public entities (floor) 2/	-1.9	-6.0	-8.9	-11.9
3. Cumulative net increase in central government direct debt (ceiling) 2/, 3/	26.2	54.0	91.1	111.3
4. Cumulative net increase in central government guaranteed debt (ceiling) 2/	5.6	15.7	15.7	15.7
5. Central government accumulation of domestic arrears (ceiling) 4/	0.0	0.0	0.0	0.0
6. Central government accumulation of tax arrears (ceiling) 5/	0.0	0.0	0.0	0.0
7. Consolidated government accumulation of external arrears (ceiling) 6/	0.0	0.0	0.0	0.0
Monetary targets				
8. Cumulative change in net international reserves (floor) 2/, 6/	-2.3	-408.7	-467.7	-261.7
9. Cumulative change in net domestic assets (ceiling) 2/	-0.2	-1.2	13.8	-12.1

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

2/ Cumulative flows through April 1 to March 31.

3/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.

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

5/ Includes tax refund arrears as stipulated by law.

6/ In millions of US dollars.

III. FISCAL POLICY

4. **The government intends to take actions to ensure that the fiscal deficit target remains on track during the rest of the year.** The positive inflation and interest rate outcomes, as well as currency appreciation have had a negative effect on revenues and the primary surplus (0.2 percent of GDP). The primary surplus has been put under additional pressure because of a downward revision to grant disbursements (0.2 percent of GDP) and unforeseen spending needs, mainly arising from the State of Emergency in May-July (0.2 percent of GDP). These costs include overtime pay and equipment for the security forces, a tourism public relations campaign, and critical hospital equipment. The government plans to save about 0.2 percent of GDP by postponing spending on certain capital projects that have not yet been started in order to help to offset these costs and partially compensate for some of the lower revenue. As a result, we are requesting a reduction in the primary surplus target for FY2010/11 equivalent to 0.4 percent of GDP, to 4.9 percent (or 6.9 percent of GDP,

excluding one-time Air Jamaica liquidation costs). The overall deficit target will remain virtually unchanged owing to the faster-than-projected decline in interest rates.

5. **Maintaining wage restraint is central to the government's fiscal policy.** The government froze public sector salaries from FY2009/10 through FY2011/12, following a 15 percent increase in FY2008/09, as part of its strategy to avert a looming fiscal crisis and to begin reducing the wage bill from 11½ percent of GDP last year to a more sustainable level of 9½ percent of GDP by FY2013/2014. The government remains firmly committed to these policies and objectives and has been having discussions with the unions to resolve any issues in a manner that upholds these commitments.

IV. INSTITUTIONAL FISCAL REFORMS

6. **Central Treasury Management System (CTMS).** The CTMS Steering Committee will prepare a paper describing the detailed conceptual design of the CTMS by end September 2010 (new structural benchmark). This paper will describe in detail: (1) the centralized approval of transactions by a central Treasury indicating how transactions will flow from the time they are approved to the time the final payment is made and accounts are rendered; (2) the level of institutional coverage of the Treasury (i.e. central government, general government); (3) the degree of consolidation of Treasury functions (i.e. the number of institutions involved in carrying out treasury functions); (4) the new roles and responsibilities of all institutions involved in the CTMS, including the Accountant General and the line ministries; and (5) the change in banking arrangements that will be entailed by the introduction of a Treasury Single Account. In addition, the authorities will complete by end-September 2010 an ongoing inventory of government entities' accounts in financial institutions (new structural benchmark). The inventory of accounts will consist of compiling information on: the ownership and control of the accounts; the sources of inflows; rules for outflows; and the corresponding balances. The authorities will continue to work closely with CARTAC in these and subsequent steps of the implementation of CTMS.

7. **Fiscal Responsibility Framework.** The government has prepared amendments to the FRF to strengthen its effectiveness. In particular, the amendments: (a) explicitly prohibit deferred financing; (b) reinforce the internal consistency between the medium term fiscal strategy and the annual budget with an interim fiscal policy paper which will be available in time to guide the budget circular; (c) introduce approval by the Parliament of an overall ceiling for discretionary waivers and specific ceilings for ministries; (d) establish a ceiling for the granting of debt guarantees to public bodies and the possibility to charge guarantee fees commensurate with fiscal risks. Regulations under the FAA and PBMA acts will complement these amendments by: (1) strengthening sanctions for non compliance by linking the sanctions and enforcement to specific breaches and instituting accountability for them; (2) limiting the use of supplementary budgets, virements and excess expenditures; (3) strengthening criteria for appointments to boards of public bodies; and (4) introducing a code of conduct for board members of public bodies. Draft bills with the amendments have

been prepared and will be reviewed by the Ministry of Finance and the Public Service in consultation with the Fund staff.

8. **Public sector rationalization plan.** The Public Sector Transformation Unit (PSTU) has prepared a preliminary Master Rationalization plan which outlines proposals to increase efficiency and avoid duplications of functions by transferring, merging, dissolving, or divesting government entities; contracting out services; and sharing common administrative services. By end-October 2010, the PSTU will complete a verification exercise to ensure the accuracy of the recently concluded employment and compensation census. The PSTU is committed to undertake the costing of reform options of the Master Rationalization Plan by end-November 2010 (new structural benchmark). The options will be consistent with the programme's medium-term objectives for rationalization of the wage bill.

9. **Tax incentives.** The government remains committed to the preparation of a strategy to reform the system of tax incentives and to the completion of an audit of waivers as envisaged in the June 2010 MEFP. Difficulties in the hiring of a consultant to assist the MOFPS have delayed the start of the work in preparing the tax incentives reform. However, a consultant has now been identified to oversee the project. The policy and strategy will be prepared in consultation with IMF staff and completed by end-December 2010 (new structural benchmark). Several actions have already been taken to begin the process of rationalizing the tax incentives system. These include: (1) a moratorium on discretionary tax incentives since August 1, 2010; and (2) scaling down tax incentives across a broad set of activities, in cooperation with the IDB starting August 2010.³

10. **Tax and customs administration.** Modernization strategies and their corresponding action plans have been prepared for both tax and customs administration in line with programme commitments. Costing and funding plans have also been prepared and the government is confident that financing from donors, the budget, and own sources of revenue will be sufficient to adequately fund the reforms. Implementation of the tax administration reform plan has already started. A high level organizational structure was designed and approved for implementation, and the selection of top leadership positions will be completed by end-September 2010. The implementation of the Customs Modernization Plan will start in September 2010 and the initial focus will be on implementing actions to transform the current Customs Department into an executive agency by March 2011.

11. **Divestment of public enterprises.** The government has signed an agreement with a Chinese firm to sell the three remaining sugar factories and associated farmlands of the Sugar Company of Jamaica (SCJ) Holdings for US\$ 9 million. Under the agreement, the firm is committed to investing some US\$127 million during 2011-2013 on modernizing the

³ See Appendix 3 for details.

factories. The firm is also investigating the feasibility of constructing a sugar refinery and ethanol plant. The divestment of Clarendon Alumina Production is proceeding on schedule and completion of the sale to a Chinese firm is expected in the last quarter of 2010, subject to satisfactory finalization of the due diligence exercise. Negotiations for the sale of Petrojam and the 7 percent minority shares in Jamalco are ongoing. In particular, with respect to Petrojam, the government presented its sale offer to the Venezuelan authorities and is currently awaiting a response.

V. FINANCIAL SECTOR REFORMS

12. **The financial sector reform agenda is progressing on schedule, with only minimal changes to the target dates.** The preparation of a draft concept paper to strengthen regulation and enforcement of Unlawful Financial Operations (UFOs) will now be completed by end-October (new structural benchmark). In line with Fund TA recommendations, this reform is now contemplating a fundamental change in the enforcement regime, to include both criminal and civil processes. The first 12½ percent instalment of the phased introduction of 100 percent risk-weighting on foreign currency denominated securities was implemented at end-June 2010 and the next instalment will go ahead as planned at end-September. Amendments to the Bank of Jamaica Act to give the BOJ overall responsibility for stability of the financial system were prepared and commented on by Fund Staff. The BOJ, FSC, and Ministry of Finance and the Public Service (Government of Jamaica), are now considering those comments and taking steps to resolve any cases of overlap in responsibilities. In other areas, notably the registration of customer interest against underlying instruments in the new central securities depository (CSD); the Omnibus Banking Law; and enhanced prudential guidelines for Security Dealers (SDs), reforms are moving ahead as scheduled.

VI. MONETARY POLICY

13. **Monetary policy continues to be geared toward maintaining financial stability and reducing inflation.** The Bank of Jamaica intends to continue its gradual approach to easing monetary policy in line with the positive developments on inflation and the stable conditions in foreign exchange markets. The target rate of inflation for the end of this fiscal year has been reduced from 7½-9½ percent to 6–8 percent. The BOJ also intends to take advantage of the favourable momentum in domestic financial markets to rebuild its net international reserves.

Table 3. Jamaica: Selected Economic Indicators 1/

	2009/10		2010/11		Proj.			
	2008/09	1st. Review	Est.	1st. Review	Rev. Proj.	2011/12	2012/13	2013/14
(Annual percent change)								
GDP, prices, and employment								
Real GDP	-1.7	-2.5	-2.5	0.5	0.6	1.8	2.0	2.0
Nominal GDP	12.1	5.4	8.2	13.2	11.0	8.9	8.7	8.9
Consumer price index (end of period)	12.4	13.3	13.3	7.5	6.1	5.0	5.5	5.5
Consumer price index (average)	20.2	9.7	9.7	12.8	11.1	5.3	5.3	5.5
Exchange rate (end of period, in J\$/US\$)	88.0	...	89.0	...	...	...	...	...
Exchange rate (average, J\$/US\$)	76.3	...	88.9	...	...	...	...	...
End-of-period REER (percent change, appreciation +)	-10.1	...	9.9	...	...	...	...	...
Treasury Bill rate, end-of-period, in percent	21.5	10.5	10.5	10.2	8.0	8.5	8.4	8.9
Treasury Bill rate, period average, in percent	17.0	16.8	16.8	10.3	8.7	8.3	8.5	8.7
Unemployment rate (in percent)	10.8	...	11.4	...	...	...	...	...
(in percent GDP)								
Government operations								
Budgetary revenue	26.9	27.5	27.0	26.4	26.0	26.2	26.5	26.8
Budgetary expenditure	34.3	38.5	37.9	32.6	32.3	28.6	27.5	26.6
Primary expenditure	22.0	21.3	20.9	21.1	21.1	19.4	18.9	18.5
Interest payments 2/	12.3	17.3	17.0	11.5	11.1	9.2	8.6	8.1
Budget balance	-7.4	-11.1	-10.9	-6.2	-6.2	-2.4	-1.0	0.2
<i>Of which:</i> primary fiscal balance	4.9	6.2	6.1	5.3	4.9	6.8	7.6	8.3
Off-budget expenditure 3/	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 4/ 5/	-2.6	-1.6	-1.6	-1.0	-1.0	-0.6	0.1	0.2
Public sector balance	-9.2	-12.7	-12.5	-7.1	-7.2	-3.0	-0.9	0.4
Public debt 2/ 6/	126.1	142.3	139.8	140.4	139.0	132.9	125.7	115.1
External sector								
Current account balance	-18.4	-8.8	-7.5	-8.9	-7.7	-7.0	-5.7	-4.7
<i>Of which:</i> exports of goods, f.o.b.	17.0	11.1	11.2	12.1	11.6	11.8	12.0	12.1
<i>Of which:</i> imports of goods, f.o.b.	50.0	38.3	35.4	38.4	34.6	34.8	34.0	33.3
Net international reserves (in millions of US\$)	1,629	1,752	1,762	1,424	1,905	2,002	1,944	2,015
Gross international reserves (In millions of US\$)	1,664	2,414	2,434	2,487	2,978	3,312	3,254	2,943
(Changes in percent of beginning of period broad money)								
Net foreign assets	-13.3	14.6	14.6	-8.6	2.8	4.0	0.1	2.8
Net domestic assets	24.8	-11.6	-11.6	21.8	10.4	8.0	8.6	6.1
<i>Of which:</i> credit to the central government	8.7	4.2	4.2	-0.4	-2.0	0.3	0.4	-0.1
Broad money	11.6	3.0	3.0	13.2	13.3	12.0	8.7	8.9
Velocity (ratio of GDP to broad money)	3.2	3.3	3.4	3.3	3.4	3.3	3.3	3.3
Memorandum items:								
Nominal GDP (in billions of J\$)	1,028	1094	1,112	1,237	1,234	1,344	1,461	1,591

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/ Includes savings from the debt exchange operation.

3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.

4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.

5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.

6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 4 Jamaica: Selected Economic Indicators 1/

	2008/09	2009/10	2009/10				2009/10	2010/11	2010/11				2010/11
		1st. Review	Q1	Q2	Q3	Q4	Est. 1st. Review	Q1	Q2	Q3	Q4	Rev. Proj.	
(Annual percent change)													
GDP, prices, and employment													
Real GDP	-1.7	-2.5	-3.9	-2.5	-2.4	-1.0	-2.5	0.5	-0.8	0.0	1.4	1.7	0.6
Nominal GDP	12.1	5.4	5.1	9.8	7.0	10.6	8.2	13.2	12.2	10.7	11.1	10.2	11.0
Consumer price index (end of period)	12.4	13.3	9.0	7.2	10.2	13.3	13.3	7.5	13.2	12.1	9.8	6.1	6.1
Consumer price index (average)	20.2	9.7	9.9	6.7	9.0	13.1	9.7	12.8	13.9	12.8	10.8	6.5	11.1
Exchange rate (end of period, in J\$/US\$)	88.0	...	88.6	88.7	89.1	89.0	89.0	...	...	...	...	...	...
Exchange rate (average, J\$/US\$)	76.3	...	88.6	88.6	89.0	89.2	88.9	...	...	...	...	...	...
End-of-period REER (% change, appreciation +)	-10.1	...	-12.9	-13.7	-2.6	9.9	9.9	...	...	...	...	...	...
Treasury Bill rate, end-of-period, in percent	21.5	10.5	21.5	17.0	15.0	10.5	10.5	10.2	9.3	8.5	8.2	8.0	8.0
Treasury Bill rate, period average, in percent	17.0	16.8	21.5	18.0	16.3	11.3	16.8	10.3	9.9	8.9	8.3	8.1	8.7
Unemployment rate (in percent)	10.8	...	11.4	11.3	11.6	...	...	...	...	...	...	...	...
(in percent GDP)													
Government operations													
Budgetary revenue	26.9	27.5	5.6	6.6	6.5	8.3	27.0	26.4	6.1	6.0	6.2	7.8	26.0
Budgetary expenditure	34.3	38.5	8.8	9.3	9.3	10.6	37.9	32.6	7.0	8.9	7.4	8.9	32.3
Primary expenditure	22.0	21.3	5.0	5.4	5.0	5.5	20.9	21.1	5.3	5.3	5.2	5.4	21.1
Interest payments 2/	12.3	17.3	3.8	3.8	4.3	5.0	17.0	11.5	1.8	3.6	2.3	3.5	11.1
Budget balance	-7.4	-11.1	-3.2	-2.7	-2.8	-2.2	-10.9	-6.2	-0.9	-3.0	-1.3	-1.1	-6.2
<i>Of which: primary fiscal balance</i>	4.9	6.2	0.6	1.1	1.5	2.8	6.1	5.3	0.9	0.7	1.0	2.4	4.9
Off-budget expenditure 3/	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 4/ 5/	-2.6	-1.6	-0.1	-0.1	-0.1	-1.1	-1.6	-1.0	-0.2	-0.3	-0.2	-0.2	-1.0
Overall fiscal balance	-9.2	-12.7	-3.3	-2.9	-2.9	-3.4	-12.5	-7.1	-1.1	-3.3	-1.5	-1.3	-7.2
Public debt 2/ 6/	126.1	142.3					139.8	140.4					139.0
External sector													
Current account balance	-18.4	-8.8	-1.2	-2.5	-3.6	-0.2	-7.5	-8.9	-1.2	-2.6	-2.6	-1.4	-7.7
<i>Of which: exports of goods, f.o.b.</i>	17.0	11.1	2.9	3.0	2.5	2.9	11.2	12.1	2.8	2.8	2.9	3.1	11.6
<i>Of which: imports of goods, f.o.b.</i>	50.0	38.3	8.1	9.3	9.6	8.3	35.4	38.4	7.7	8.9	9.1	9.0	34.6
Net international reserves (in millions of US\$)	1,629	1,751.9	1,620	1,902	1,729	1,762	1,762	1,424	1,759	1,749	1,741	1,905	1,905
Gross international reserves (in millions of US\$)	1,664	2,414	1,654	1,924	1,752	2,434	2,434	2,487	2,533	2,571	2,613	2,978	2,978
Money and credit													
Net foreign assets	-13.3	14.6	0.7	9.8	-1.7	14.6	14.6	-8.6	13.6	3.0	4.9	2.8	2.8
Net domestic assets	24.8	-11.6	19.9	7.3	-1.5	-11.6	-11.6	21.8	-8.9	5.7	6.0	10.4	10.4
<i>Of which: credit to the central government</i>	8.7	4.2	21.7	20.4	15.3	4.2	4.2	-0.4	-8.1	-5.6	-11.9	-2.0	-2.0
Broad money	11.6	3.0	9.8	8.2	6.1	3.0	3.0	13.2	4.6	8.7	10.9	13.3	13.3
Velocity (ratio of GDP to broad money)	3.3	3.3	3.3	3.3	3.2	3.4	3.4	3.3	3.3	3.4	3.2	3.4	3.4
Memorandum items:													
Nominal GDP (in billions of J\$)	1,028	1,094	1,040	1,065	1,083	1,112	1,112	1,237	1,143	1,173	1,204	1,234	1,234

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/ Includes savings from the debt exchange operation.

3/ Includes debt issued to BOJ to cover its cash losses and, until 2007/08, debt related to off-budget projects financed initially by the private sector.

4/ Assumes that any expansion of the PetroJam refinery, costing about 10 percent of GDP in cumulative terms, does not involve government financing, neither direct nor guaranteed.

5/ Includes 20 selected public entities under rationalization or divestment plans and other public entities.

6/ Central government direct and guaranteed only, including PetroCaribe debt and projected IMF disbursements.

Table 5. Jamaica: Summary of Central Government Operations

	2008/09	2009/10	2009/10				2009/10	2010/11	2010/11				2010/11
		1st.Review	Q1	Q2	Q3	Q4	Est.	1st.Review	Q1	Q2	Q3	Q4	Rev. Proj.
	(in billions of Jamaican dollars)												
Budgetary revenue and grants	276.2	300.2	62.5	72.9	72.2	92.6	300.2	326.7	75.5	73.9	75.9	96.1	321.4
Tax	250.7	267.4	58.2	63.1	66.1	80.1	267.4	288.3	63.3	67.1	66.6	88.6	285.6
Non-tax	18.0	26.5	3.9	4.9	5.6	12.0	26.5	22.7	8.9	4.1	3.6	5.7	22.3
Grants	7.6	6.3	0.4	4.9	0.5	0.5	6.3	15.6	3.4	2.7	5.7	1.8	13.6
Budgetary expenditure	352.2	421.5	97.8	103.0	103.1	117.6	421.5	402.9	86.6	110.3	91.8	109.4	398.2
Primary expenditure	226.2	232.7	55.4	60.2	55.5	61.6	232.7	260.8	65.0	65.6	63.9	66.3	260.7
Wage and salaries	111.5	126.3	31.6	33.0	30.3	31.4	126.3	127.7	32.0	32.5	31.3	31.5	127.3
Other expenditure	73.3	72.0	15.0	18.7	18.8	19.5	72.0	74.1	17.5	18.8	20.9	19.0	76.2
Capital expenditure	41.4	34.4	8.8	8.5	6.4	10.7	34.4	59.0	15.5	14.3	11.6	15.8	57.2
Interest	126.0	188.7	42.4	42.8	47.6	56.0	188.7	142.1	21.6	44.7	28.0	43.1	137.5
Domestic	90.2	144.9	31.2	31.2	34.6	47.9	144.9	96.2	11.9	33.4	15.0	33.9	94.2
Current	89.5	144.9	31.2	31.2	34.6	47.9	144.9	96.2	11.9	33.4	15.0	33.9	94.2
BoJ special issue bonds 1/	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	35.8	43.8	11.2	11.5	13.0	8.1	43.8	45.9	9.7	11.3	13.0	9.2	43.2
Budget balance	-76.0	-121.3	-35.3	-30.1	-30.9	-25.0	-121.3	-76.2	-11.1	-36.4	-15.9	-13.3	-76.8
o.w. primary budget balance 2/	50.0	67.5	7.1	12.6	16.7	31.0	67.5	65.9	10.6	8.3	12.0	29.8	60.7
Off-budget expenditure	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BoJ cash losses 3/	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 4/	-26.3	-17.5	-1.6	-1.6	-1.6	-12.7	-17.5	-11.9	-1.9	-4.1	-3.0	-3.0	-11.9
Public sector balance	-94.9	-138.8	-36.9	-31.7	-32.5	-37.7	-138.8	-88.2	-13.0	-40.5	-18.9	-16.3	-88.7
Net increase in Central Govt. debt	68.7	121.3	35.3	30.1	30.9	25.0	121.3	76.2	11.1	36.4	15.9	13.3	76.8
Principal Repayments	112.1	169.5	27.7	41.1	33.2	67.3	169.4	96.2	39.2	29.3	6.9	20.9	96.3
External	37.8	25.5	5.2	7.9	5.9	6.4	25.4	25.6	4.9	7.1	6.0	7.4	25.4
o.w. official	18.6	18.5	0.0	0.0	0.0	0.0	18.5	19.5	0.0	0.0	0.0	0.0	18.5
Domestic	74.3	144.0	22.5	33.3	27.3	60.9	144.0	70.7	34.3	22.2	0.8	13.5	70.9
Gross Financing Needs	180.7	290.8	63.1	71.2	64.0	92.3	290.6	172.5	50.3	65.8	22.8	34.2	173.1
Gross Financing Sources	180.7	290.8	63.1	71.2	64.0	92.3	290.6	172.5	50.3	65.8	22.8	34.2	173.1
External	58.9	50.8	4.0	2.9	6.4	37.6	50.8	68.5	9.5	20.8	21.0	22.3	73.6
o.w. official	30.8	50.4					50.4	68.5					68.2
Domestic	115.8	248.8	46.9	77.3	60.7	63.8	248.8	119.7	52.0	26.5	22.5	18.2	119.1
Divestment + deposit drawdown	6.0	-8.8	12.1	-9.0	-3.0	-9.1	-9.0	-15.6	-11.1	18.5	-20.7	-6.4	-19.7
Memo item:													
Central government debt excluding IMF, J\$ billio	1119	1266	1142	1181	1215	1266	1266	1387	1292	1320	1356	1371	1371
Public Debt 5/	1296	1556					1554	1747					1716
Nominal GDP	1028	1094	1112	1112	1112	1112	1112	1237	1234	1234	1234	1234	1234

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Accrued interest on previous year's BoJ Special Issue Bonds has contractually been paid to the BoJ through debt issuance the following year.

2/ For revised projections in FY2010/11, includes Air Jamaica's divestment costs.

3/ Refers to operating losses of the BoJ, not covered by the BoJ Special Issue Bonds.

4/ Includes selected and other public entities.

5/ Central Government direct and guaranteed debt including PetroCarible debt and projected IMF disbursements

Table 6. Jamaica: Summary of Central Government Operations

	2008/09	2009/2010	2009/10				2009/10	2010/11	2010/11				2010/11
		1st. Review	Q1	Q2	Q3	Q4	Est.	1st. Review	Q1	Q2	Q3	Q4	Rev. Proj.
	(in percent of GDP)												
Budgetary revenue and grants	26.9	27.5	5.6	6.6	6.5	8.3	27.0	26.4	6.1	6.0	6.2	7.8	26.0
Tax	24.4	24.5	5.2	5.7	5.9	7.2	24.1	23.3	5.1	5.4	5.4	7.2	23.1
Non-tax	1.7	2.4	0.4	0.4	0.5	1.1	2.4	1.8	0.7	0.3	0.3	0.5	1.8
Grants	0.7	0.6	0.0	0.4	0.0	0.0	0.6	1.3	0.3	0.2	0.5	0.1	1.1
Budgetary expenditure	34.3	38.5	8.8	9.3	9.3	10.6	37.9	32.6	7.0	8.9	7.4	8.9	32.3
Primary expenditure	22.0	21.3	5.0	5.4	5.0	5.5	20.9	21.1	5.3	5.3	5.2	5.4	21.1
Wage and salaries	10.9	11.5	2.8	3.0	2.7	2.8	11.4	10.3	2.6	2.6	2.5	2.6	10.3
Other expenditure	7.1	6.6	1.3	1.7	1.7	1.8	6.5	6.0	1.4	1.5	1.7	1.5	6.2
Capital expenditure	4.0	3.1	0.8	0.8	0.6	1.0	3.1	4.8	1.3	1.2	0.9	1.3	4.6
Interest	12.3	17.3	3.8	3.8	4.3	5.0	17.0	11.5	1.8	3.6	2.3	3.5	11.1
Domestic	8.8	13.2	2.8	2.8	3.1	4.3	13.0	7.8	1.0	2.7	1.2	2.7	7.6
Current	8.7	13.2	2.8	2.8	3.1	4.3	13.0	7.8	1.0	2.7	1.2	2.7	7.6
BoJ special issue bonds 1/	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	3.5	4.0	1.0	1.0	1.2	0.7	3.9	3.7	0.8	0.9	1.0	0.7	3.5
Budget balance	-7.4	-11.1	-3.2	-2.7	-2.8	-2.2	-10.9	-6.2	-0.9	-3.0	-1.3	-1.1	-6.2
o.w. primary budget balance 2/	4.9	6.2	0.6	1.1	1.5	2.8	6.1	5.3	0.9	0.7	1.0	2.4	4.9
Off-budget expenditure	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BoJ cash losses 3/	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public entities balance 4/	-2.6	-1.6	-0.1	-0.1	-0.1	-1.1	-1.6	-1.0	-0.2	-0.3	-0.2	-0.2	-1.0
Public sector balance	-9.2	-12.7	-3.3	-2.9	-2.9	-3.4	-12.5	-7.1	-1.1	-3.3	-1.5	-1.3	-7.2
Net increase in Central Govt. debt	6.7	11.1	3.2	2.7	2.8	2.2	10.9	6.2	0.9	3.0	1.3	1.1	6.2
Principal Repayments	10.9	15.5	2.5	3.7	3.0	6.1	15.2	7.8	3.2	2.4	0.6	1.7	7.8
External	3.7	2.3	0.5	0.7	0.5	0.6	2.3	2.1	0.4	0.6	0.5	0.6	2.1
o.w. official	1.8	1.7	0.0	0.0	0.0	0.0	1.7	1.6	0.0	0.0	0.0	0.0	1.5
Domestic	7.2	13.2	2.0	3.0	2.5	5.5	13.0	5.7	2.8	1.8	0.1	1.1	5.7
Gross Financing Needs	17.6	26.6	5.7	6.4	5.8	8.3	26.1	13.9	4.1	5.3	1.8	2.8	14.0
Gross Financing Sources	17.6	26.6	5.7	6.4	5.8	8.3	26.1	13.9	4.1	5.3	1.8	2.8	14.0
External	5.7	4.6	0.4	0.3	0.6	3.4	4.6	5.5	0.8	1.7	1.7	1.8	6.0
o.w. official	3.0	4.6					4.5	5.5					5.5
Domestic	11.3	22.8	4.2	7.0	5.5	5.7	22.4	9.7	4.2	2.1	1.8	1.5	9.7
Divestment + deposit drawdown	0.6	-0.8	1.1	-0.8	-0.3	-0.8	-0.8	-1.3	-0.9	1.5	-1.7	-0.5	-1.6
Memo item:													
Central Govt. direct debt excluding IMF	108.9	115.8	102.7	106.2	109.3	113.9	113.9	112.1	104.7	106.9	109.9	111.1	111.1
Public Debt 5/	126.1	142.3					139.8	141.1					139.0
Nominal GDP	1028	1094	1112	1112	1112	1112	1112	1237	1234	1234	1234	1234	1234

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ Accrued interest on previous year's BoJ Special Issue Bonds has contractually been paid to the BoJ through debt issuance the following year.

2/ For revised projections in FY2010/11, includes Air Jamaica's divestment costs.

3/ Refers to operating losses of the BoJ, not covered by the BoJ Special Issue Bonds.

4/ Includes selected and other public entities.

5/ Central Government direct and guaranteed debt including PetroCarible debt and projected IMF disbursements

Table 7. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars				In percent of GDP			
	2007/08	2008/09	2009/10	2010/11	2007/08	2008/09	2009/10	2010/11
Operating balance selected public entities 1/	17.5	5.9	23.2	52.3	1.9	0.6	2.1	4.2
<i>Of which:</i>								
Air Jamaica	-12.9	-11.9	-15.5	0.0	-1.4	-1.2	-1.4	0.0
Clarendon Aluminum	-1.0	-5.9	-6.3	5.3	-0.1	-0.6	-0.6	0.4
Sugar Company of Jamaica	-5.3	-7.2	-3.4	0.0	-0.6	-0.7	-0.3	0.0
Petrojam	13.7	2.2	24.0	13.7	1.5	0.2	2.2	1.1
NROCC	-0.5	-0.2	-3.5	-2.4	-0.1	0.0	-0.3	-0.2
Urban Development Corporation	1.1	0.7	0.0	5.7	0.1	0.1	0.0	0.5
National Water Commission	0.5	0.2	0.4	1.0	0.1	0.0	0.0	0.1
Port Authority of Jamaica	2.5	0.6	1.9	3.9	0.3	0.1	0.2	0.3
National Housing Trust 2/	15.5	24.7	18.4	21.3	1.7	2.4	1.7	1.7
National Insurance Fund	3.9	2.3	0.2	4.1	0.4	0.2	0.0	0.3
Net current transfers from the central government	-0.4	9.3	3.8	-3.4	0.0	0.9	0.3	-0.3
<i>Of which:</i>								
Air Jamaica	5.0	4.6	2.0	0.0	0.5	0.4	0.2	0.0
Clarendon Aluminum	0.0	0.0	9.7	0.0	0.0	0.0	0.9	0.0
Sugar Company of Jamaica	0.0	7.4	2.7	0.0	0.0	0.7	0.2	0.0
Petrojam	-6.6	-5.2	-13.7	-14.1	-0.7	-0.5	-1.2	-1.1
NROCC	0.0	0.0	0.1	2.6	0.0	0.0	0.0	0.2
Urban Development Corporation	0.5	1.4	2.1	4.5	0.1	0.1	0.2	0.4
National Water Commission	1.1	0.8	0.4	1.5	0.1	0.1	0.0	0.1
Port Authority of Jamaica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
National Housing Trust	-0.4	-0.6	0.0	0.0	0.0	-0.1	0.0	0.0
National Insurance Fund	-0.6	-0.7	0.1	-0.8	-0.1	-0.1	0.0	-0.1
Gross capital expenditure selected public entities 2/	44.2	38.8	36.6	68.6	4.8	3.8	3.3	5.6
<i>Of which:</i>								
Air Jamaica	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Clarendon Aluminum	9.1	2.9	3.3	2.7	1.0	0.3	0.3	0.2
Sugar Company of Jamaica	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Petrojam	0.8	2.0	1.5	2.6	0.1	0.2	0.1	0.2
NROCC	3.8	2.5	3.6	9.1	0.4	0.2	0.3	0.7
Urban Development Corporation	0.8	1.9	2.9	6.6	0.1	0.2	0.3	0.5
National Water Commission	3.4	2.5	2.9	2.2	0.4	0.2	0.3	0.2
Port Authority of Jamaica	3.9	1.4	7.0	6.5	0.4	0.1	0.6	0.5
National Housing Trust	17.7	22.0	11.5	28.0	1.9	2.1	1.0	2.3
National Insurance Fund	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Other net spending selected public entities 3/	0.4	-5.4	5.6	-7.8	0.0	-0.5	0.5	-0.6
Overall balance selected public entities 4/	-27.4	-18.1	-15.1	-11.9	-3.0	-1.8	-1.4	-1.0
<i>Of which:</i>								
Air Jamaica	-8.1	-7.5	-13.6	0.0	-0.9	-0.7	-1.2	0.0
Clarendon Aluminum	-6.5	-9.1	0.3	2.6	-0.7	-0.9	0.0	0.2
Sugar Company of Jamaica	-5.8	0.3	-1.3	0.0	-0.6	0.0	-0.1	0.0
Petrojam	3.2	0.6	4.4	-5.0	0.3	0.1	0.4	-0.4
NROCC	-4.3	-2.6	-7.0	-9.1	-0.5	-0.3	-0.6	-0.7
Urban Development Corporation	0.6	0.5	-0.8	3.5	0.1	0.0	-0.1	0.3
National Water Commission	-2.0	-1.5	-1.9	0.4	-0.2	-0.1	-0.2	0.0
Port Authority of Jamaica	-1.6	-0.8	-5.1	-2.7	-0.2	-0.1	-0.5	-0.2
National Housing Trust	-2.7	1.6	6.5	-4.2	-0.3	0.2	0.6	-0.3
National Insurance Fund	3.3	1.6	0.3	3.2	0.4	0.2	0.0	0.3
Overall Balance other public entities 5/	-4.1	-8.1	-2.4	0.0	-0.4	-0.8	-0.2	0.0
Overall Balance Public Entities 4/	-31.5	-26.3	-17.5	-11.9	-3.4	-2.6	-1.6	-1.0
Overall Balance Public Entities Program 4/			-29.6	-11.9			-2.7	-1.0

1/ Selected public entities refer to a group of the most important 20 public bodies of which 10 are shown. The operating balance is defined as current revenues minus current expenditures after adjustments from accrual accounting to cash basis.

2/ Gross of the change in inventories

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

4/ Divestment of Air Jamaica and no expansion of the Petrojam refinery are assumed in the figures.

5/ Other public entities as defined in Technical Memorandum of Understanding.

Table 8. Jamaica: Summary Balance of Payments

	2008/09	2009/10	2009/10				2009/10	2010/11	2010/11				2010/11
		1st Review	Q1	Q2	Q3	Q4	Est.	1st Review	Q1	Q2	Q3	Q4	Rev. Proj.
	(In millions of U.S. dollars)												
Current account	-2,497	-1,084	-149	-316	-444	-22	-932	-1,232	-164	-368	-365	-203	-1,100
Trade balance	-4,472	-3,352	-659	-791	-897	-673	-3,019	-3,649	-700	-860	-887	-825	-3,272
Exports (f.o.b.)	2,315	1,366	359	371	308	368	1,406	1,671	395	401	406	446	1,648
Imports (f.o.b.)	6,786	4,718	1,017	1,163	1,205	1,041	4,425	5,320	1,095	1,261	1,293	1,271	4,920
Fuel (cif)	2,807	1,535	300	428	345	393	1,466	1,955	364	460	429	519	1,772
Exceptional imports (incl. FDI-related)	634	450	98	98	98	98	392	354	120	107	93	16	336
Other	3,345	2,734	619	636	762	549	2,567	3,011	611	694	771	737	2,812
Services (net)	476	724	220	150	134	321	826	732	141	161	171	300	773
Transportation	-614	-421	-97	-114	-128	-83	-422	-467	-90	-117	-115	-123	-444
Travel	1,688	1,753	440	385	381	549	1,756	1,858	382	396	408	561	1,747
of which: Tourism receipts	1,939	2,000	486	452	441	585	1,964	2,110	427	459	470	604	1,960
Other services	-598	-607	-123	-122	-119	-145	-508	-659	-152	-118	-123	-139	-531
Income (net)	-562	-553	-165	-174	-162	-139	-639	-548	-164	-180	-182	-152	-678
Current transfers (net)	2,060	2,097	454	499	480	468	1,900	2,232	559	510	533	475	2,077
Government (net)	105	159	25	66	23	26	139	199	55	38	40	40	172
Private (net)	1,955	1,938	430	433	457	442	1,761	2,033	504	472	493	435	1,905
Capital and financial account	2,055	1,195	140	586	272	55	1,053	904	163	356	357	367	1,244
Capital account (net)	28	-15	-6	-2	-6	-6	-20	-11	-7	-2	-7	-7	-23
Financial account (net) 1/	2,027	1,210	146	588	278	60	1,073	915	171	359	364	374	1,267
Direct investment (net)	701	420	108	114	138	104	464	292	83	83	87	90	345
of which: One-off sales of shares	300	0	0	0	0	0	0	0	0	0	0	0	0
Central government (net)	43	280	-22	-45	5	347	285	480	16	170	185	184	554
Other official (net) 2/	284	749	-11	336	166	81	573	76	36	71	57	64	228
of which: PetroCaribe	325	254	50	56	83	32	222	195	45	45	50	47	187
Government prefinancing deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Portfolio investment (net)	688	-220	71	183	-31	-452	-230	66	35	35	35	35	140
Other private flows (net)	312	-19	0	0	0	-19	-19	0	0	0	0	0	0
Overall balance	-442	111	-9	270	-173	32	121	-328	-1	-12	-8	164	144
Financing	442	-111	9	-270	173	-32	-121	328	1	12	8	-164	-144
Change in GIR (- increase)	442	-751	9	-270	173	-682	-771	-73	-99	-38	-42	-364	-544
Prospective IMF credits	0	640	0	0	0	650	650	400	100	50	50	200	400
Memorandum items:													
Gross international reserves 3/	1,664	2,414	1,654	1,924	1,752	2,434	2,434	2,487	2,533	2,571	2,613	2,978	2,978
(in weeks of perspective imports of GNF)	13.8	16.7					18.5	16.4					21.4
Net international reserves	1,629	1,752	1,620	1,902	1,729	1,762	1,762	1,424	1,759	1,749	1,741	1,905	1,905
Current account (in percent of GDP)	-18.4	-8.8	-1.2	-2.5	-3.6	-0.2	-7.5	-8.9	-1.2	-2.6	-2.6	-1.4	-7.7
Exports of goods (in percent change)	-4.3	-41.0					-39.3	22.3					17.2
Imports of goods (in percent change)	1.8	-30.6					-34.8	12.7					11.2
Oil prices (composite, fiscal year basis)	88.2	66.3					65.6	81.4					77.6
Tourism receipts (in percent change)	-2.1	3.2					1.3	5.5					-0.2
GDP (in millions of U.S. dollars)	13,586	12,307					12,510	13,848					14,200

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 counterpart to the inflow for the government's pre-financing in 2005/06, the new general SDR allocation in 2009/10.

3/ Includes the US\$650 million, which the authorities hold in reserve to address potential FSSF-related demand.

Table 9. Jamaica: Summary Accounts of the Bank of Jamaica 1/

	2008/09	2009/10	2009/10				2010/11	2010/11				
		1st. Review	Q1	Q2	Q3	Q4	1st. Review	Q1	Q2	Q3	Q4	
End-of-period stocks 1/			(in J\$ billions)									
Net international reserves	144.9	156.5	144.1	172.0	154.5	156.5	128.6	157.2	150.3	151.5	165.5	
Net domestic assets	-73.7	-79.2	-71.4	-99.9	-73.4	-79.2	-45.3	-79.4	-74.4	-61.4	-86.6	
Net claims on public sector	125.3	145.6	136.4	135.4	154.9	145.6	145.6	137.9	148.5	145.0	145.6	
Net claims on central government	74.6	82.3	85.1	79.1	103.2	82.3	72.8	64.5	76.0	78.6	72.8	
Net claims on rest of public sector /2	46.2	62.8	50.2	57.7	53.0	62.8	72.8	67.1	72.4	66.3	72.8	
Operating losses of the BOJ	4.4	0.5	1.1	-1.3	-1.3	0.5	0.0	6.3	0.0	0.0	0.0	
Net credit to commercial banks	-16.3	-10.3	-23.7	-23.9	-23.0	-10.3	-12.8	-8.4	4.4	14.7	-13.0	
Of which: foreign prudential reserve	-17.6	-14.6	-17.7	-17.8	-16.9	-14.6	-15.0	-14.1	-14.2	-15.1	-15.1	
Net credit to other financial institutions	-1.4	-1.4	-1.4	-1.5	-1.6	-1.4	-1.6	-1.6	-1.8	-1.5	-1.6	
Open market operations	-119.3	-121.3	-120.8	-118.5	-112.0	-121.3	-82.1	-110.7	-127.9	-119.5	-130.4	
Of which: commercial banks	-47.1	-48.9	-39.1	-36.0	-31.9	-48.9	-44.0	-52.5	-70.7	-75.8	-58.2	
Other items net (incl. valuation adj.)	-62.0	-91.8	-62.0	-91.4	-91.8	-91.8	-94.4	-96.6	-97.6	-100.1	-87.2	
Medium- and long-term foreign liabilities	-2.6	-2.3	-2.6	-2.6	-2.3	-2.3	-2.3	-4.3	-4.3	-4.3	-2.3	
Valuation adjustment	-54.1	-54.6	-54.1	-54.1	-54.6	-54.6	-57.2	-57.3	-58.3	-60.8	-50.0	
Allocation of SDRs	-5.3	-34.8	-5.3	-34.7	-34.8	-34.8	-34.8	-35.0	-35.0	-35.0	-34.8	
Base money	71.2	77.3	72.7	72.1	81.1	77.3	83.4	77.8	75.9	90.1	78.9	
Currency in circulation	36.8	40.6	38.1	37.4	44.6	40.6	45.9	40.8	41.3	47.3	43.4	
Liabilities to commercial banks	34.4	36.7	34.6	34.7	36.5	36.7	37.5	37.0	34.6	42.8	35.4	
Fiscal year flows 1/			(Change YoY in J\$ billions)									
Net international reserves	-4.9	11.6	-16.2	8.9	10.6	11.6	-27.9	13.1	-21.8	-3.0	8.9	
Of which: Valuation effects	30.9	1.9	31.0	29.5	154.6	1.8	5.8	-5.6	-4.9	-3.7	-3.7	
Net domestic assets	17.3	-5.5	31.3	5.7	-1.0	-5.5	33.9	-8.0	25.5	12.0	-7.4	
Net claims on public sector	30.3	20.3	39.8	44.9	33.9	20.3	0.0	1.5	-4.9	-3.7	0.0	
Net claims on central government	21.8	7.7	50.6	31.4	26.0	7.7	-9.5	-20.6	-3.0	-24.6	-9.5	
Net claims on rest of public sector /2	18.2	16.5	-10.4	19.4	9.7	16.5	10.0	16.9	14.7	13.3	10.0	
Operating losses of the BOJ	-9.7	-3.9	-0.4	-5.9	-1.7	-3.9	-0.5	5.2	1.3	1.3	-0.5	
Net credit to commercial banks	-3.3	6.0	-10.1	-9.6	-12.0	6.0	-2.6	15.2	28.3	37.7	-2.7	
Net credit to other financial institutions	-0.4	0.0	-0.3	0.2	-0.3	0.0	-0.1	-0.2	-0.3	0.0	-0.1	
Open market operations	18.8	-2.0	30.1	27.7	19.9	-2.0	39.3	10.1	-9.4	-7.5	-9.1	
Other items net (incl. valuation adj.)	-28.1	-29.8	-28.1	-57.6	-42.5	-29.8	-2.6	-34.6	-6.2	-8.4	4.5	
Medium- and long-term foreign liabilities	-0.5	0.0	-0.5	-0.5	0.1	0.3	0.0	-1.7	-1.7	-2.0	0.0	
Valuation adjustment	-26.6	-2.1	-26.6	-26.6	-12.5	-0.5	-7.7	-3.2	-4.2	-6.3	4.5	
Allocation of SDRs	-1.0	-29.1	-1.0	-30.4	-30.0	-29.6	0.0	-29.7	-0.3	-0.1	0.0	
Base money	12.4	6.1	15.1	14.6	9.6	6.1	6.0	5.1	3.7	9.0	1.6	
Currency in circulation	3.6	3.7	2.6	3.8	2.6	3.7	5.3	2.7	3.9	2.7	2.9	
Liabilities to commercial banks	8.7	2.4	12.4	10.7	7.0	2.4	0.7	2.4	-0.1	6.3	-1.3	
			(Change YoY in percent of Base Money)									
Net international reserves	-8.4	16.3	-28.1	15.4	14.8	16.3	-36.1	18.0	-30.2	-3.7	11.6	
Net domestic assets	29.4	-7.7	54.2	9.9	-1.3	-7.7	43.9	-11.0	35.4	14.7	-9.5	
Net claims on public sector	51.4	28.5	69.1	78.1	47.5	28.5	0.0	2.0	18.1	-12.3	0.0	
Net claims on central government	37.0	10.8	87.9	54.5	36.3	10.8	-12.3	-28.3	-4.2	-30.3	-12.3	
Net claims on rest of public sector	30.9	23.2	-18.1	33.7	13.6	23.2	12.9	23.2	20.4	16.4	12.9	
Operating surplus/losses of the BOJ	-16.5	-5.5	-0.7	-10.2	-2.4	-5.5	-0.7	7.1	1.8	1.7	-0.7	
Net credit to commercial banks	-5.6	8.5	-17.6	-16.7	-16.8	8.5	-3.3	20.9	39.3	46.5	-3.5	
Net credit to other financial institutions	-0.7	0.0	-0.6	0.4	-0.5	0.0	-0.2	-0.3	-0.4	0.0	-0.2	
Open market operations	32.0	-2.8	52.2	48.1	27.9	-2.8	50.8	13.8	-13.0	-9.2	-11.7	
Other items net (incl. valuation adj.)	-47.8	-41.8	-48.8	-100.0	-59.4	-41.8	-3.4	-47.6	-8.6	-10.3	5.9	
Medium- and long-term foreign liabilities	-0.9	0.0	-0.9	-0.9	0.1	0.4	0.0	-2.3	-2.4	-2.5	0.0	
Valuation adjustment	-45.2	-3.0	-46.2	-46.2	-17.5	-0.7	-10.4	-4.4	-5.9	-7.7	5.9	
Allocation of SDRs	-1.7	-40.9	-1.8	-52.9	-42.0	-41.5	0.0	-40.9	-0.4	-0.2	0.0	
Base money	21.0	8.6	26.1	25.3	13.5	8.6	7.8	7.0	5.2	11.1	2.0	
Currency in circulation	6.2	5.2	4.6	6.7	3.7	5.2	6.9	3.7	5.3	3.3	3.7	
Liabilities to commercial banks	14.8	3.3	21.5	18.6	9.8	3.3	0.9	3.3	-0.1	7.8	-1.7	
Memorandum items:												
Change in net claims on the central government (percent of GDP)	2.1	0.5	...	...	...	0.7	0.0	...	...	...	-0.8
Exchange rate (eop)	88.0	89.2	88.6	88.7	89.1	89.0	93.9	85.4	85.9	87.0	86.9	
Exchange rate (avg)	76.3	88.8	88.3	88.6	88.9	88.9	91.5	87.2	85.7	86.5	86.6	
Required cash reserves (percentage points)							0.0					
Net international reserves (US\$ millions)	1,629	1,752	1,627	1,941	1,735	1,762	1,424	1,840	1,749	1,741	1,905	
NDA SBA Target (in J\$ billions) 3/		-49.1					-79.2		-79.4	-80.4	-65.4	-91.3

Sources: Bank of Jamaica; and Fund staff estimates.

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

2/ Includes net unclassified.

3/ Calculated at program exchange rate.

Table 10. Jamaica: Summary Monetary Survey 1/

	2008/09	2009/10	2009/10				2010/11	2010/11			
		1st. Review	Q1	Q2	Q3	Q4	1st. Review	Q1	Q2	Q3	Q4
End-of-period stocks 1/											
	(in J\$ billions)										
Net foreign assets	94.3	140.5	96.4	125.1	119.7	140.5	112.4	139.8	134.7	135.9	149.8
Net domestic assets	223.4	186.7	223.1	191.7	212.4	186.7	257.9	194.5	209.8	232.3	220.9
Net claims on public sector	224.5	240.6	242.1	248.0	269.3	240.6	248.7	235.1	245.2	241.3	243.6
<i>Of which: central government 2/</i>	159.9	173.2	183.4	186.6	210.5	173.2	171.8	157.6	168.7	170.9	166.7
Open market operations (Net)	-72.3	-72.4	-81.6	-82.5	-80.1	-72.4	-38.1	-58.2	-57.1	-43.7	-72.3
Credit to private sector	220.6	215.7	220.3	218.8	218.5	215.7	242.6	220.8	227.1	235.4	239.5
<i>Of which: foreign currency</i>	95.5	84.9	84.9	91.4	101.0	84.9	94.6	91.4	101.0	111.2	91.4
Other 3/	-149.4	-197.2	-157.6	-192.5	-195.3	-197.2	-195.3	-203.2	-205.4	-200.8	-190.0
Liabilities to private sector (M3)	317.7	327.2	319.5	316.8	332.2	327.2	370.3	334.3	344.6	368.2	370.7
Money supply (M2)	202.8	210.4	206.4	206.8	216.8	210.4	245.5	216.1	224.2	243.9	244.8
Foreign currency deposits	114.8	116.8	113.0	110.0	115.3	116.8	124.8	118.1	120.4	124.3	125.9
Fiscal year flows 1/											
	(Change YoY in J\$ billions)										
Net foreign assets	-37.8	46.3	2.1	28.8	-5.4	46.3	-28.1	43.4	9.6	16.2	9.3
Net domestic assets	70.7	-36.7	57.9	21.3	-4.6	-36.7	71.2	-28.6	18.1	19.9	34.2
Net claims on public sector 2/	37.4	16.0	47.2	62.1	48.0	16.0	8.1	-6.9	-2.7	-28.0	3.0
<i>Of which: central government</i>	24.7	13.3	63.3	59.8	47.8	13.3	-1.4	-25.8	-17.9	-39.5	-6.5
Open market operations	22.2	-0.1	24.5	10.6	2.2	-0.1	34.3	23.5	25.4	36.4	0.1
Credit to private sector	49.0	-4.9	29.8	18.1	6.2	-4.9	26.9	0.5	8.3	17.0	23.8
<i>Of which: foreign currency</i>	35.1	-10.6	48.5	44.4	40.6	-10.6	9.7	6.4	9.7	10.1	6.4
Other 3/	-38.0	-47.7	-43.7	-69.6	-61.1	-47.7	1.9	-45.6	-12.8	-5.5	7.2
<i>Of which: valuation adjustment</i>	-26.6	-0.5	-26.6	-26.6	-12.5	-0.5	-1.9	-3.2	-4.2	-6.3	3.4
Liabilities to private sector (M3)	32.9	9.6	28.5	23.9	19.0	9.6	43.1	14.8	27.7	36.0	43.4
Money supply (M2)	13.6	7.6	8.6	7.3	5.8	7.6	35.0	9.7	17.4	27.1	34.3
Foreign currency deposits	19.3	1.9	19.8	16.6	13.1	1.9	8.0	5.1	10.4	8.9	9.1
	(Change YoY in percent of M3)										
Net foreign assets	-13.3	14.6	0.7	9.8	-1.7	14.6	-8.6	13.6	3.0	4.9	2.8
Net domestic assets	24.8	-11.6	19.9	7.3	-1.5	-11.6	21.8	-8.9	5.7	6.0	10.4
Net claims on public sector 2/	13.1	5.0	16.2	21.2	15.3	5.0	2.5	-2.2	-0.9	-8.4	0.9
<i>Of which: central government</i>	8.7	4.2	21.7	20.4	15.3	4.2	-0.4	-8.1	-5.6	-11.9	-2.0
Open market operations	7.8	0.0	8.4	3.6	0.7	0.0	10.5	7.3	8.0	11.0	0.0
Credit to private sector	17.2	-1.5	10.2	6.2	2.0	-1.5	8.2	0.2	2.6	5.1	7.3
<i>Of which: foreign currency</i>	12.3	-3.3	16.7	15.2	13.0	-3.3	3.0	2.0	3.1	3.0	2.0
Other 3/	-13.3	-15.0	-15.0	-23.7	-19.5	-15.0	0.6	-14.3	-4.0	-1.6	2.2
Liabilities to private sector (M3)	11.6	3.0	9.8	8.2	6.1	3.0	13.2	4.6	8.7	10.9	13.3
Money supply (M2)	4.8	2.4	3.0	2.5	1.9	2.4	10.7	3.0	5.5	8.2	10.5
Foreign currency deposits	6.8	0.6	6.8	5.7	4.2	0.6	2.5	1.6	3.3	2.7	2.8
	(Change YoY, in percent)										
Liabilities to private sector (M3)	11.6	3.0	9.8	8.2	6.1	3.0	13.2	4.6	8.7	10.9	13.3
Money supply (M2)	7.2	3.8	4.4	3.7	2.8	3.8	16.7	4.7	8.4	12.5	16.3
Foreign currency deposits	20.2	1.7	21.3	17.8	12.8	1.7	6.9	4.5	9.4	7.7	7.8
Memorandum items:											
Monetary base (J\$ Millions)	71.2	77.3	72.7	72.1	81.1	77.3	83.4	77.8	75.9	90.1	78.9
M3/monetary base	4.5	4.2	4.4	4.4	4.1	4.2	4.4	4.3	4.5	4.1	4.7
M3 velocity	3.2	3.3	3.3	3.3	3.2	3.4	3.3	3.3	3.4	3.2	3.4

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

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

2/ Includes Bank of Jamaica operating balance.

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

APPENDIX 2. JAMAICA—TECHNICAL MEMORANDUM OF UNDERSTANDING

This Technical Memorandum of Understanding (TMU) defines the variables subject to quantitative targets (performance criteria and indicative targets), specified in the Letter of Intent (LOI). It also describes the methods to be used in assessing the programme performance and the information requirements to ensure adequate monitoring of the targets. As is standard under all Fund arrangements, we will consult with the Fund before modifying measures contained in this letter, or adopting new measures that would deviate from the goals of the programme, and provide the Fund with the necessary information for programme monitoring.

The programme calculates foreign exchange transactions at fixed programme rates. In this context, the exchange rates for the purposes of the programme of the Jamaican dollar (J\$) to the U.S. dollar is set at J\$89.35 = US\$1, to the Special Drawing Right (SDR) at J\$140.18=SDR 1, to the euro at J\$127.57 = €1, to the Canadian dollar at J\$81.40 = CND\$1, and to the British pound at J\$143.11 =£1.

VII. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

A. Cumulative Floor of the Central Government Primary Balance

Definition: The central government for the purposes of the programme consists of the set of institutions currently covered under the state budget. The fiscal year starts on April 1 in each calendar year and it ends on March 31 of the following year.

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. The central government includes public bodies that are financed through the Consolidated Fund. Data will be provided to the Fund with a lag of no more than three weeks after the test date.

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 as proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis, and includes compensation payments, other recurrent expenditures, and capital spending (Table 1). 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.

The primary balance target includes US\$204 million in expenditure related to the divestment or liquidation costs of Air Jamaica. Should costs associated with the divestment or liquidation of Air Jamaica exceed US\$204 million, the targets may be adjusted downwards to accommodate those costs, up to US\$10 million at the programme reference exchange rate, subject to consultation with Fund staff. Symmetrically, if Air Jamaica divestment costs are lower than US\$ 204 million, the primary balance target will be adjusted upwards by the difference between the US\$ 204 million and the actual cost.

1. Targets on the Primary Balance of the Central Government
Cumulative over the fiscal year (April 1 to March 31)

	Floor (In billions of J\$)
Central Government Primary Balance at end-March 2010	67.5
End-June 2010 (observed)	10.6
End-September 2010 (performance criterion)	18.8
End-December 2010 (performance criterion)	30.9
End-March 2011 (indicative target)	60.7

B. Cumulative Floor on Overall Balance of Public Bodies

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

Public bodies consist of all self-financed public bodies, including the 20 “Selected Public Bodies”, and “Other Public Bodies”. The 20 “Selected Public Bodies” include: Airport Authority of Jamaica (AAJ); Human Employment and Resource Training Trust (HEART); Jamaica Mortgage Bank (JMB); House Agency of Jamaica (HAJ); National Housing Trust (NHT); National Insurance Fund (NIF); Development Bank of Jamaica (DBJ); National Water Commission (NWC); Petrojam; Petroleum Corporation of Jamaica (PCJ); Ports Authority of Jamaica (PAJ); Urban Development Corporation (UDC); Jamaica Urban Transit Company Ltd. (JUTC); Caymanas Track Ltd. (CTL); Wallenford Coffee Company Ltd. (WCC); National Road Operating and Constructing Company Ltd. (NROCC); Petro-Ethanol; Air Jamaica (AJ); Clarendon Aluminum Production (CAP); Sugar Company of Jamaica (SCJ). “Other Public Bodies” include: Bauxite and Alumina Trading Company of Jamaica Ltd. ; Road Maintenance Fund; Jamaica Bauxite Mining Ltd. ; Petroleum Company of

Jamaica Ltd. (Petcom); Wigton Windfarm Ltd.; Broadcasting Commission of Jamaica; The Office of Utilities Regulation; Spectrum Management Authority; Sports Development Foundation; Bureau of Standards Jamaica; Factories Corporation of Jamaica Ltd.; Kingston Freezone Company Ltd.; Micro Investment Development Agency Ltd.; Montego Bay Freezone Company Ltd.; Postal Corporation of Jamaica Ltd.; Self Start Fund; Betting Gaming and Lotteries Commission; Culture, Health, Arts, Sports and Education Fund; Financial Services Commission; Jamaica Deposit Insurance Corporation, Jamaica Racing Commission, National Export-Import Bank of Jamaica Ltd.; PetroCaribe Development Fund; The Public Accountancy Board; Students' Loan Bureau; National Health Fund; Agricultural Development Corporation; Agricultural Marketing Corporation, Cocoa Industry Board; Coffee Industry Board; Sugar Industry Authority; Overseas Examination Commission; Aeronautical Telecommunications Ltd.; Jamaica Civil Aviation Authority; Jamaica Ultimate Tire Company Ltd.; Jamaica Railway Corporation Ltd.; Ports Security Corps Ltd.; Transport Authority.

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 selected public bodies and the group of the other public bodies as defined above. The definition of overall balance used is operational balance, plus capital account net of revenues (investment returns, minus capital expenditure, plus change in inventories), minus dividends and corporate taxes transferred to government, plus net other transfers from government. For the particular case of the National Housing Trust, capital account revenues will not be netted out since they do not refer to flows arising from assets sales but rather to contribution revenue, and therefore will be included among recurrent revenue such as is done for pension funds. Data will be provided to the Fund with a lag of no more than 6 weeks after the test date.

The definitions of "Selected Public Bodies" and "Other Public Bodies" will be adjusted as the process of public bodies' rationalization, including divestments and mergers, advances. However, this process will not affect the performance criterion unless specifically stated. All newly created entities, including from the merging of existing entities, will be incorporated in either of these two groups.

2. Targets on the Overall Fiscal Balance of the Public Bodies

Cumulative Balance over the fiscal year (April 1 to March 31)

	Floor (In billions of J\$)
Overall Balance of Public Bodies at end-March 2010	-17.5
End-June 2010 (observed)	-1.9
End-September 2010 (performance criterion)	-6.0
End-December 2010 (performance criterion)	-8.9
End-March 2011 (indicative target)	-11.9

C. Ceiling on the Stock of Central Government Direct Debt

Definitions: Central government direct debt includes all domestic and external bonds and any other form of central government debt, such as supplier loans. It excludes IMF debt.

The target will be set in Jamaican dollars with foreign currency debt converted using the programme exchange rate. The change in the stock of debt will be measured “below the line” as all debt issuance minus repayments on all central government debt. Data will be provided to the Fund with a lag of no more than four weeks after the test date. The target will be adjusted upwards if explicit government guarantees (defined as the stock of existing guarantees as at end March 2010 plus new guarantees allowed to be issued under the programme) are called. The target will be adjusted downwards if net divestment revenues (i.e. net of divestment expenses) take place. The target may be adjusted upward (by a maximum of US\$10 million at program exchange rates, subject to consultation with Fund staff) to the extent that cumulative Air Jamaica divestment costs exceed US\$204 million, or downward to the extent that these divestment costs fall below US\$204 million. For the purposes of computing the debt target, debt inflows are to be recorded at the moment the funds are credited to any central government account. The debt target will be adjusted for cross-currency parity changes; and pre-financing, as reflected by the increase in central government deposits.

3. Targets on Central Government Direct Debt Stock

Cummulative Net Increase in Debt Measured at Program Exchange Rate 1/

	Ceiling (In billions of J\$)
Stock of Central Government Direct Debt at end-March 2010	1269
End-June 2010 (observed) 2/	26
End-September 2010 (performance criterion)	54
End-December 2010 (performance criterion)	91
End-March 2011 (indicative target)	111

1/ Increase relative to end-March 2010 stock.

2/ The observed change is not adjusted for prefinancing and advanced disbursements. This explains the difference with the target value reported in Table 1 of the MEFP.

D. Ceiling on Net Increase in Central Government Guaranteed Debt

Definition: Net increase in central government guaranteed debt is calculated as issuance minus repayments of central government guaranteed debt, in billions of Jamaican dollars, including domestic and external bonds, loans and all other types of debt. Foreign currency

debt will be converted to Jamaican dollars at the programme exchange rate. The cumulative targets are computed as the difference between the stock of government guaranteed debt as of end-March of each year and the stock of government guaranteed debt as of the target date, as specified in table 4. The cumulative net increase in central government guaranteed debt will be monitored on a continuous basis. Data will be provided to the Fund with a lag of no more than four weeks after the test date. In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards to preserve the performance criteria defined in table 4.

4. Cumulative Net Increase in Central Government Guaranteed Debt Stock

Cumulative balance over the fiscal year (April 1 to March 31)

	Ceiling (In billions of J\$)
Stock of Government Guaranteed Debt at end-March 2010	136.3
End-June 2010 (observed)	5.6
End-September 2010 (performance criterion)	15.7
End-December 2010 (performance criterion)	15.7
End-March 2011 (indicative target)	15.7

The stock of Government Guaranteed debt at end-March 2010 has been revised downwards relative to the June 2010 TMU on account of J\$3.1 billion of guaranteed loans that were not disbursed during 2009/10 as previously estimated. These guaranteed loans are expected to be disbursed in 2010/11. In addition, the authorities clarified that J\$9.4 billion of SCJ loans that will be taken over by the government in the second quarter of FY2010/11 and had been assumed to be part of the stock of guaranteed debt in the June 2010 TMU, were never part of the stock of guaranteed debt. As a result, the target for net increase in central government guaranteed debt stock has been adjusted upwards by J\$12.5 billion.

E. Ceiling on Central Government Accumulation of Domestic Arrears

Definition: Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Central government domestic arrears include arrears on domestic central government direct debt, including to suppliers, and all recurrent and capital expenditure commitments. The ceiling on central government accumulation of domestic arrears will be monitored on a continuous basis. Data will be provided to the Fund with a lag of no more than four weeks after the test date.

5. Central Government Accumulation of Domestic Expenditure Arrears
Cumulative Balance over the Fiscal year (April 1 to March 31)

	Ceiling (in billions of J\$)
Stock of arrears at end-March 2010	2.6
End-June 2010 (observed)	0.0
End-September 2010 (performance criterion)	0.0
End-December 2010 (performance criterion)	0.0
End-March 2011 (indicative target)	0.0

F. Ceiling on Central Government Accumulation of tax refund arrears

Definition: Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. The central government accumulation of tax refund arrears will be monitored on a continuous basis. Data will be provided to the Fund with a lag of no more than three weeks after the test date.

6. Central Government Accumulation of Tax Refund Arrears
Cumulative Balance over the Fiscal year (April 1 to March 31)

	Ceiling (in billions of J\$)
Stock of arrears at end-March 2010	20.3
End-June 2010 (observed)	-0.5
End-September 2010 (performance criterion)	0.0
End-December 2010 (performance criterion)	0.0
End-March 2011 (indicative target)	0.0

G. Floor on Accumulation of BOJ Net International Reserves

Definition: Net international reserves (NIR) of the BOJ are defined as the US dollar value of gross foreign assets of the BOJ minus gross foreign liabilities with maturity of less than one year. Non-US dollar denominated foreign assets and liabilities will be converted into US dollar at the programme exchange rates. Data will be provided by the BOJ to the Fund with a lag of no more than five days past the test date.

Gross foreign assets are defined consistently with the Sixth Edition of the *Balance of Payments Manual and International Investment Position Manual (BPM6)* as readily available

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

Gross foreign liabilities are defined consistently with the definition of NIR for programme purposes and include all foreign exchange liabilities to nonresidents, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the Fund.

NIR targets will also be adjusted upward (downward) by the surplus (shortfall) in programme disbursements from the IBRD, IDB, and CDB, relative to the baseline projection reported in Table 8. Programme disbursements are defined as external disbursements from official creditors that are usable for the financing of the consolidated government.

If the amount of cumulative changes from end-March 2010 in BOJ's foreign exchange liabilities to residents and banks' foreign currency deposits in BOJ against reserve requirements is higher (lower) than the baseline projection reported in Table 9, the NIR targets will be adjusted upward (downward) by the cumulative difference in these items.

Net external payments related to the divestment cost of Air Jamaica is the divestment cost of Air Jamaica excluding employee costs and advance ticket sales, net of receipts from sales of aircrafts. Should net external payments related to the divestment cost of Air Jamaica be higher (lower) than the baseline projection reported in Table 10, the NIR targets may be adjusted downward (upward) by the cumulative difference in these items, up to an amount equivalent to US\$84.4 million at the program exchange rate, subject to consultation with Fund staff.

The external program disbursements have been adjusted upwards relative to the June 2010 TMU. This reflects revised project loan information and an additional disbursement of US\$33 million from the CDB expected in March 2011.

7. Net International Reserves of the Bank of Jamaica

	(In millions of US\$)
Floor on the Net International Reserves of the Bank of Jamaica	
Outstanding stock	
End-March 2010 1/	1,761.7
Floor on cumulative change in net international reserves from end-March 2010:	
End-June 2010 (observed)	-2.3
End-September 2010 (performance criterion)	-408.7
End-December 2010 (performance criterion)	-467.7
End-March 2011 (indicative target)	-261.7

1/ End-March 2010 outstanding stock was revised upward compared with the number reported in EBS/10/115 because the internal audit in the BOJ revealed that part of foreign exchange holdings had not been converted to the US dollar at the programme exchange rates. The internal audit mechanism to assure a proper reporting of NIR for programme purposes was established in the BOJ and it has worked to the satisfaction of the auditors.

8. External Program Disbursements (baseline projection)

Cumulative flows from end-March 2010	(In millions of US\$)
End-June 2010 (observed)	33.3
End-September 2010	233.3
End-December 2010	433.3
End-March 2011	666.3

9. Reserve liabilities items for NIR target purposes

	(In millions of US\$) 1/
1. BOJ's foreign liabilities to residents	
Outstanding stock	
End-March 2010	77.5
Cumulative change from end-March 2010	
End-June 2010 (observed)	-77.5
End-September 2010	-77.5
End-December 2010	-77.5
End-March 2011	-77.5
2. Banks foreign currency deposits in BOJ against reserve requirements	
Outstanding stock	
End-March 2010	169.6
Cumulative change from end-March 2010	
End-June 2010 (observed)	1.6
End-September 2010	-1.2
End-December 2010	-1.6
End-March 2011	-2.2

1/ Converted at the programme exchange rates.

10. Net External Payment related to Air Jamaica Divestment in 2010/11
(Baseline projections, Cumulative since March 31, 2010, in millions of US dollars)

End-June 2010 (observed)	End-September 2010	End-December 2010	End-March 2011
46.2	91.8	114.0	129.6

H. Ceiling on Net Domestic Assets of the Bank of Jamaica

Definition: The Bank of Jamaica's net domestic assets (NDA) are defined as the difference between the monetary base and NIR. The monetary base includes currency in the hands of the non-bank public plus vault cash held in the banking system, statutory cash reserve requirements against prescribed liabilities in Jamaica Dollars held by commercial banks at the Bank of Jamaica, and the current account of commercial banks comprising of credit balances held at the central bank. Data will be provided to the Fund with a lag of no more than three weeks after the test date.

Table 11. Ceiling on Increase in Net Domestic Assets of the Bank of Jamaica

	(In billions of J\$)
Outstanding stock End-March 2010	-79.2
Ceiling on cumulative change in net domestic assets: 1/	
End-June 2010 (observed)	-0.2
End-September 2010 (performance criterion)	-1.2
End-December 2010 (performance criterion)	13.8
End-March 2011 (indicative target)	-12.1

1/ Change relative to end-March 2010 stock.

VIII. CONTINUOUS PERFORMANCE CRITERION ON NON-ACCUMULATION OF EXTERNAL DEBT PAYMENTS ARREARS

Definition: consolidated government includes the central government and the public bodies, as defined in sections A and B, respectively.

Definition: external debt is determined according to the residency criterion.

Definition: the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or

more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
- ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the programme, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

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

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

The performance criterion will apply on a continuous basis. The MoFPS will provide the final data on the stock of external arrears of the consolidated government and the BOJ to the Fund, with a lag of not more than two weeks after the test date. This performance criterion does not cover arrears on trade credits.

IX. INFORMATION REQUIREMENTS

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

A. Daily

- Net international reserves; nominal exchange rates; interest rates on BOJ repurchase agreements; total currency issued by the BOJ, deposits held by financial institutions at the BOJ; required and excess reserves of the banking sector in local and foreign currency, total liquidity assistance to banks through normal BOJ operations, including overdrafts; overnight interest rates; GOJ bond yields.
- Disbursements from the Financial System Support Fund, by institutions.
- Deposits and liquidity assistance to institutions, by institution.
- Bank of Jamaica purchases and sales of foreign currency.
- Amounts offered, demanded and placed in Bank of Jamaica open market operations, including rates on offer for each tenor.
- Amounts offered, demanded and placed in Government of Jamaica auctions; including minimum maximum and average bid rates.

B. Weekly

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

C. Monthly

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

- Stock of public external and domestic debt, by creditor and by currency, as at end month. Data is to be provided within four weeks of month end.
- Central government debt amortization and repayments, by instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). Includes government direct, government guaranteed, and total. In the case of issuance of government guaranteed debt, include the name of the guaranteed individual/institution. The reporting lag should not exceed four weeks after the closing of each month.
- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.
- Stock of central government expenditure arrears.
- Stock of central government tax refund arrears.
- Stock of central government domestic and external debt arrears, and BOJ external debt arrears.
- Central government debt stock, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (J\$-denominated and US\$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); (iii) direct and guaranteed. The reporting lag should not exceed four weeks after the closing of each month.
- Holdings of domestic bonds (J\$-denominated and US\$-denominated) by holder category. The reporting lag should not exceed four weeks after the closing of each month.
- Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc.).
- Balance sheet of the Bank of Jamaica within three weeks of month end.
- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks, and the overall banking system. Include a detailed decomposition on Bank of Jamaica and commercial bank net claims on the Central Government, selected public bodies, and other public bodies.⁴ This information should be received with a lag of no more than six weeks after the closing of each month.

⁴ Selected public bodies and other public bodies are defined as outlined in Section IV (B).

- Profits of the Bank of Jamaica on a cash and accrual basis, including a detailed decomposition of cash profits and profits from foreign exchange operations with a lag of no more than three weeks from month end.
- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.
- Financial statements of other (non-bank) deposit taking institutions and insurance companies within six weeks of month end.
- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.
- Monthly balance sheet data of deposit taking institutions, as reported to the BOJ within six weeks of month end.
- Data on reserve liabilities items for NIR target purposes (Table 9) within three weeks after month end.
- A full set of monthly FSIs regularly calculated by the BOJ, including capital adequacy, profitability and liquidity ratios, within six weeks of month end.
- Imports and exports of goods, in US\$ million within five months after month end. Tourism indicators within three months after month end. Remittances' flows within four weeks after month end.
- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.
- Use of the PetroCaribe fund, including loan portfolio by debtor and allocation of the liquidity funds in reserve within four weeks after month end.

D. Quarterly

- Summary balance of payments within three months after quarter end. Revised outturn for the preceding quarters and quarterly projections for the forthcoming year, with a lag of no more than one month following receipt of the outturn for the quarter.
- Gross domestic product growth by sector, in real and nominal terms, including revised outturn for the preceding quarters within three months after quarter end; and projections for the next four quarters, with a lag no more than one month following receipt of the outturn for the quarter.

- Updated set of macroeconomic assumptions and programme indicators for the preceding and forthcoming four quarters within three months of quarter end. Main indicators to be included are: real/nominal GDP, inflation, interest rates, exchange rates, foreign reserves (gross and net), money (base money and M3), credit to the private sector, open market operations, and public sector financing (demand and identified financing).
- BOJ's Quarterly Financial Stability Report.
- Quarterly income statement data of deposit taking institutions, as reported to the BOJ within eight weeks of the quarter end.
- Summary review of the securities dealer sector, within eight weeks of quarter end.
- Summary report of the insurance sector (based on current FSC quarterly report), within eight weeks of quarter end.
- Risk weighted capital adequacy ratios of DTI's and non-bank financial institutions consistent with the phased implementation of the 100 percent risk weighting on all Government of Jamaica (GOJ) foreign currency denominated instruments within four weeks of quarter end. Quarterly reports on the progress of implementation the new GOJ foreign currency risk weighting provision across institutions, including a description of any measures taken to secure compliance within eight weeks of quarter end.
- FSC status report detailing compliance (and any remedial measures introduced to address any non compliance) with the agreed guidelines to clearly register retail repo client interests against underlying instruments in CSD. Reports are due within four weeks of end quarter.

E. Annual

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

Appendix 3. Tax Incentive Reforms Agreed with IDB

There are five waiver conditions which will directly impact the tourism, agriculture, and manufacturing sectors.

- Effective August 1, 2010, the Government will refrain from promoting or tabling in Parliament the introduction of new statutory waivers or extension of existing waivers until a Waiver Policy and Strategy is in place and agreed with the Bank.
- Effective March 31st 2011, there will be no renewal of the waivers for the upfront payment of GCT under the Modernization of Industry Program.
- There will be a MOFPS resolution with a clear definition of the criteria used to qualify an economic activity as pertaining to the agricultural sector for tax benefits purposes.
- Effective August 1, 2010, only farms or farmers listed with the Rural Agricultural Development Authority (RADA) can apply for motor vehicle concessions and there will be a limit on the number of motor vehicle concessions, by farm size (i.e. 1-10 acres; 10-50 acres; and over 50 acres), which farms can access in any given year and only once every five years.
- Effective August 1, 2010, the Government will suspend the duty regime/concessions on the rental vehicle industry (u-drive) and the tourism sector. This policy will be subject to a review and the announcement of a new regime, informed by the Tax Waiver Policy & Strategy, by the fourth quarter of 2010.

There are also conditions to streamline the granting of waivers to charitable organizations so as to better define how charitable organizations access waivers.

- There will be a MOFPS resolution with clear definition of the criteria used to qualify an institution or entity as charitable institution as well as for humanitarian activities for tax benefit purposes.
- A Charities Act will be expedited such that only registered charities can apply for waivers (the Act will also define Charities, in agreement with the Bank). There will be a Cabinet submission to this effect prior to November 30, 2010. The Charities Act will also require that the Ministry publish a list of recipients of waivers on a monthly basis on its website.
- Additional waiver conditions apply, more generally, to the waiver granting regime. Effective August 1, 2010, the Government will enforce a freeze on all discretionary waivers of all taxes and import duties, excepting those for:
 - Humanitarian purposes and charitable organizations.
 - Unspecified waivers up to a monthly maximum equivalent to one third of the average non-tourism, non-industry and non-agricultural waivers approved between May 1st and July 31st 2010, until a new Tax Waiver Policy & Strategy is defined and put in place in agreement with the Bank by the fourth quarter of calendar year 2010.
 - There will be a MOFPS resolution by which all discretionary and statutory waivers granted will be published on the MOFPS's Web Page, on a monthly basis, starting on August 1, 2010, with detailed information on: beneficiary sectors and entities, amount and type of tax waived, and the description of the type of merchandise, good or service that was subject to waiver under any tax.
 - There will be Cabinet approval for an Investment Promotion Framework that does not rely primarily on tax incentives as an investment promotion mechanism. This is to be executed under an IDB-funded Consultancy.

All other policies related to statutory and discretionary waivers will remain in place until a new Tax Waiver Policy is defined in agreement with the IDB, and put in place by the fourth quarter of calendar year 2010.