

Jamaica: Second Review Under the Stand-By Arrangement—Staff Report; Press Release on the Executive Board Discussion.

In the context of the second review under the stand-by arrangement, the following documents have been released and are included in this package:

- The staff report for the Second Review Under the Stand-By Arrangement, prepared by a staff team of the IMF, following discussions that ended on August 27, 2010, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on September 16, 2010. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Press Release summarizing the views of the Executive Board as expressed during its September 24, 2010 discussion of the staff report that completed the request and/or review.

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

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

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

JAMAICA

Second Review Under the Stand-By Arrangement

Prepared by the Western Hemisphere Department
(In consultation with other departments)

Approved by Gilbert Terrier and Dominique Desruelle

September 16, 2010

EXECUTIVE SUMMARY

- **Context.** On February 4, 2010, the Executive Board approved a 27-month SBA in an amount equivalent to 300 percent of quota (SDR 820.5 million). The pillars of the program are: (i) fiscal consolidation and institutional reform; (ii) public debt restructuring, completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks. The First Review of the SBA was completed on June 23, with the authorities having complied with all end-March performance criteria and structural benchmarks.
- **Economic developments.** Since March, macroeconomic and financial market conditions have improved. Growth remains weak but inflation and interest rates have declined much faster than expected. Growing financial market confidence has been reflected in an appreciation of the currency. Owing to the weak economic activity, NPLs have continued to rise, albeit at a declining rate, while other data point to continued resilience of the financial system. So far, there have been no requests for access to the Financial System Support Fund. The improved outlook for inflation and interest rates will have a negative impact on fiscal revenues over the rest of the fiscal year (April-March). Accordingly, the authorities are requesting a small relaxation (0.4 percent of GDP) of the primary surplus target, while the overall deficit and debt objectives would remain broadly unchanged.
- **Review of program.** Based on the continued overall satisfactory performance, Staff supports the completion of the Second Review of the SBA. All quantitative performance criteria for end-June were met. A structural benchmark requiring a draft concept paper on strengthening regulations against unregulated financial organizations was not met, but is now expected to be completed by end-October. New structural benchmarks have been introduced, related to the implementation of recently prepared action plans for some structural reforms. The prospects for meeting the end-September quantitative performance criteria and structural benchmarks appear favorable.
- **Discussions.** The mission, which visited Kingston during August 17-27, comprised Messrs. Alleyne (head), Guerson (both WHD), Konuki (SPR), and Simone (FAD). Mr. Leon (resident representative) assisted the mission, and Mr. Purves (OED) joined the mission in the second week. The mission met with the Minister of Finance, the Governor of the Bank of Jamaica (BOJ), senior Ministry of Finance and BOJ officials, and representatives from the private sector and the financial sector. An MCM mission covering securities issues, led by Mr. Richard Britton, overlapped with the mission.
- **Outreach.** At the end of the mission, Mr. Alleyne and Finance Minister Shaw held a joint press conference. Local press coverage of the mission and the program was positive.

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I. RECENT DEVELOPMENTS AND OUTLOOK

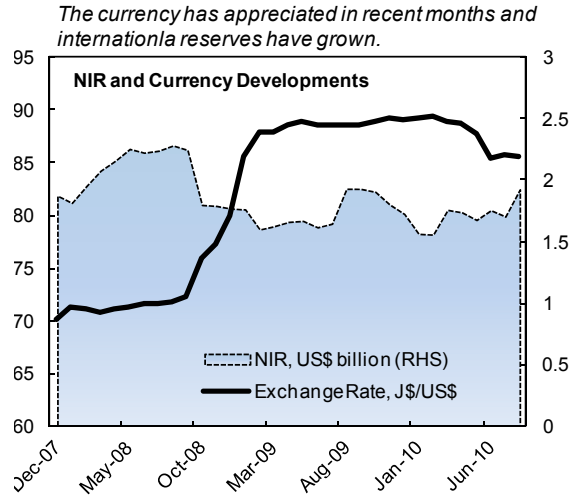
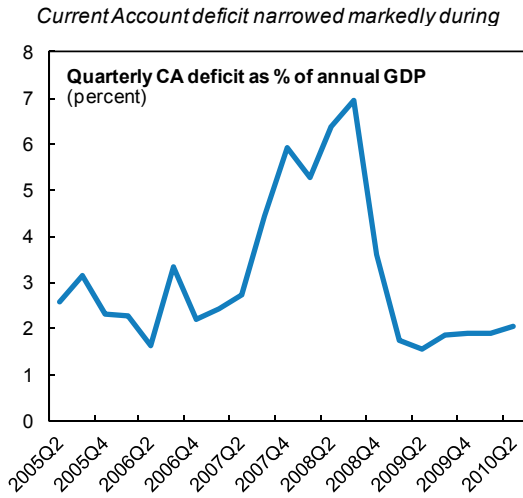
1. **Economic activity is weak, but showing incipient signs of a recovery.** Tourism continues to perform well, with the main resort areas having generally avoided any major adverse impact from the recent turmoil in Kingston. Exports and remittances are picking up but, with FDI sluggish, the 12-month credit growth negative, and a contraction in the public sector, overall aggregate demand remains weak. The FY2009/10 outturn for the external current account deficit was 7.5 percent of GDP, some 1½ percentage points smaller than projected at the time of the First Review of the SBA. This development reflected lower-than-projected imports and a strong growth in non-traditional exports in the final quarter. Net international reserves (NIR) stood at US\$1.93 billion at end-August, substantially above the level projected at the time of the First Review. In recent months, inflation has been lower than anticipated, reflecting weak demand, currency appreciation, and lower international food and fuel inflation. However, unemployment is high and poverty rates have increased over the past three years (Figure 1).

2. **Domestic financial markets remain stable.** At end-August, the 3-month Treasury bill rate had declined to 8.1 percent (a 30-year low), or 257 basis points below its level at the time of the debt exchange. Since March, the Bank of Jamaica (BOJ) has gradually lowered its policy rate by 200 basis points to 8.0 percent, accommodating market trends. The exchange rate has stabilized, following an appreciation of 4 percent since the beginning of the program and intervention by the BOJ to limit further appreciation. Meanwhile, nonperforming loans continue to rise (although now at a decelerating rate), reaching 5.9 percent of total loans in June 2010 compared with 5.5 percent in March, and contributing to risk aversion by banks. However, other prudential indicators, including stress test results performed by the BOJ, point to continued resiliency in the financial system as well as overall improvement relative to March (Figure 2). The Financial System Support Fund remains untapped.

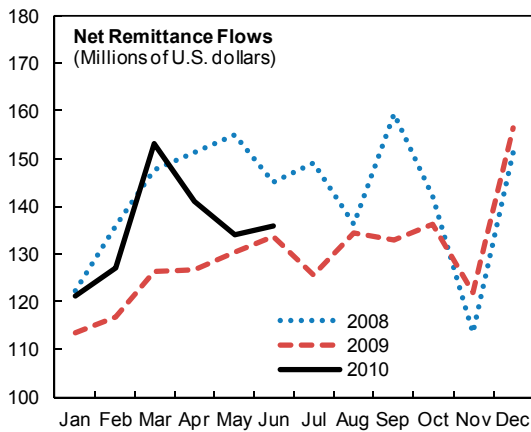
3. **The growth outlook has improved.** Better prospects for agriculture, mining and quarrying, and construction are expected to increase growth in FY2010/11 to 0.5 percent, and inflation is projected to decline to about 6 percent. However, given Jamaica's very open economy, risks to the outlook reflect the increasing uncertainty about growth in the global economy.



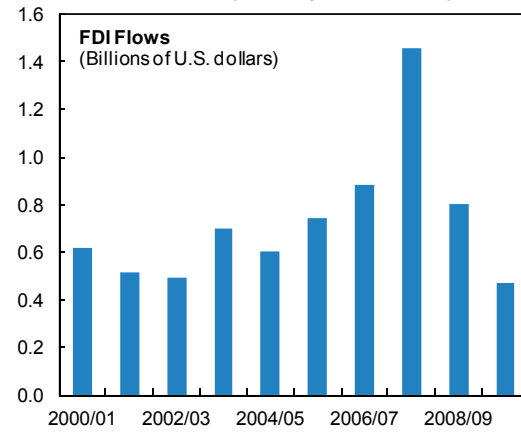
Figure 1. External Sector Developments



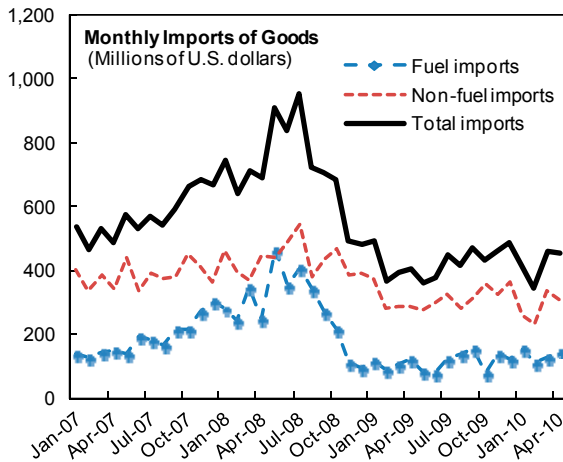
Net remittances have picked up in 2010, reflecting the economic recovery in U.S., UK and Canada. However, net flows have remained below 2008 level.



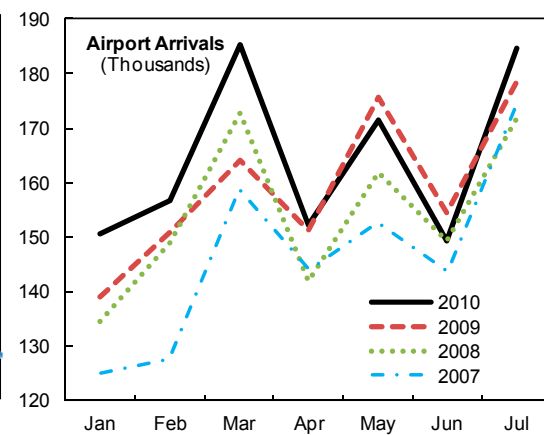
FDI flows have declined significantly due to the global financial crisis and are expected to remain low based on the slow recovery of the global economy.



Imports are down to half of their 2008 peak, mainly reflecting lower international fuel prices and weak domestic demand.

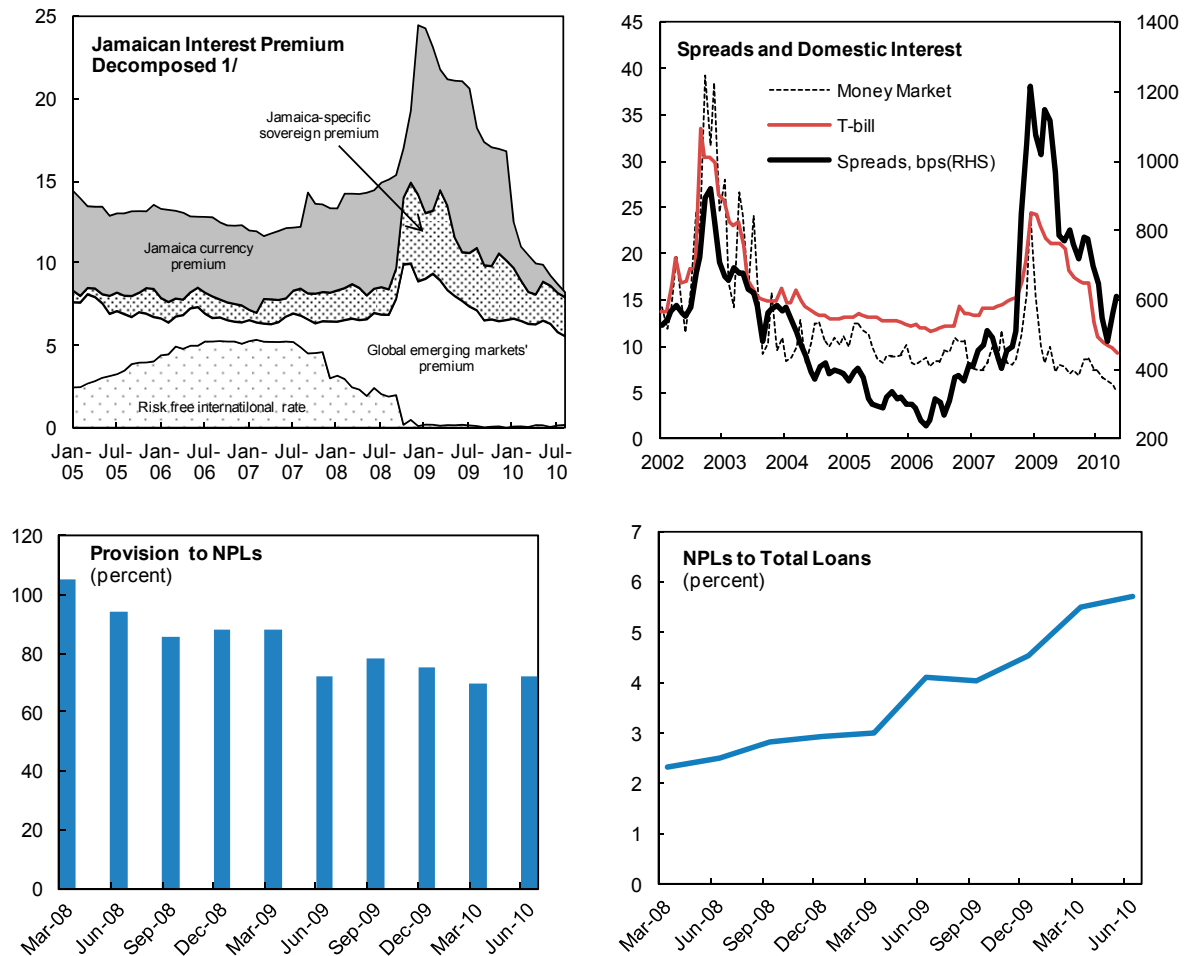


Airport arrivals have generally been above 2009 levels, with the exception of May and June when a limited state of emergency was issued for Kingston and St. Andrew.



Source: Jamaican authorities and Fund staff calculations.

Figure 2. Jamaica: Financial Sector Indicators



Jamaica: Financial Sector Indicators 2/

	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
In Percent					
Balance Sheet Growth (yoy)					
Capital Base	13.09	11.50	14.60	11.60	11.70
NPL	78.06	60.38	65.10	78.00	40.20
Liquidity					
Loans/Deposits	74.80	74.26	73.90	70.10	69.23
Asset Quality					
Prov for Loans/NPLs	72.27	78.58	75.00	69.90	70.30
NPLs to total loans	4.13	4.05	4.60	5.50	5.93
Capital Base					
Capital base/Total Assets	9.79	10.05	10.40	10.30	10.85
Capital Adequacy Ratio (CAR)	16.56	17.90	18.90	18.70	19.80
Profitability					
Pre Tax profit Margin(Calender Quarter)	22.40	15.49	17.80	17.80	21.20
ROA (Calender Quarter)	0.79	0.49	0.60	0.50	0.75

Jamaica: Securities Industry Financial Indicators

	Dec-09	Mar-10	Jun-10
Funds Under Management	610.14	610.66	614.52
In Percent			
Capital to Risked Weighted Assets	64.53	67.17	56.40
Capital to Total Assets	9.87	10.30	10.97
Net Profit to Funds Under Management	0.12	0.05	0.21
Net Interest Income to FUM	0.21	0.21	0.18

Sources: JP Morgan, Jamaican authorities and Fund staff calculations.

1/ Jamaican interest premium is estimated as the sum of risk free rate (proxied by the U.S. Federal Funds rate), emerging market premium (proxied by the EMBI+ index), Jamaica sovereign premium (proxied by the blended yields on Jamaica Eurobonds) and Jamaica currency premium (the difference between Jamaica 6 month T-bill yields and other identified risk premiums).

2/ Includes Commercial Banks, Merchant Banks, Building Societies

II. PERFORMANCE UNDER THE PROGRAM

4. **Overall performance continues to be positive, with all end-June quantitative performance criteria met.** Fiscal performance was enhanced by tax administration improvements and continued expenditure restraint (MEFP, ¶1, 5th bullet). Value-added tax (GCT) came in significantly above projections, despite lower inflation and the appreciation of the currency. These higher collections, together with larger-than-projected grant disbursements, offset a large underperformance in revenues from withholding taxes on salaries and interest income. Meanwhile, the authorities have undertaken a cautious execution of the expenditure budget, keeping primary spending within program projections. Owing to continued stability in financial markets, the NIR target was exceeded by some US\$300 million.

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

(in J\$ billions)	Jun-10	SBA PC			Proj. Diff.	Status of SBA PC
		2nd Review end Jun-10	Adjustments	Adjusted SBA PCs 7/		
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 FY 2010/2011. The authorities clarified that the SCJ loans that would be taken over were never part of the stock of guarantees.

5. **One end-June structural benchmark was missed, owing to circumstances beyond the authorities' control (MEFP, ¶3).** The June 2010 structural benchmark to complete a time-bound action plan to establish a Central Treasury Management System has been met. The June 2010 structural benchmark to prepare a concept paper outlining measures to combat unlawful financial operations (UFOs) was not met due to a delay in an MCM/LEG technical assistance mission as a result of the State of Emergency. The mission has since taken place.

III. POLICY DISCUSSIONS

6. **The authorities remain fully committed to the policies and objectives outlined in the January 2010 and June 2010 MEFPs.** Policy discussions focused on re-emerging pressures on the fiscal program for FY2010/11, and ensuring continued progress on the authorities' ambitious structural reform agenda.

A. Fiscal Policy

7. **Notwithstanding the good fiscal performance so far, there are still significant risks to meeting the end-fiscal year targets.** Apart from risks related to a renewed global economic slowdown and the spillover effects on Jamaican growth and fiscal revenues, the fiscal targets could be under pressure as a result of domestic factors:

- *Public sector salary disputes (Box 1).* In early August, the Supreme Court ruled that the government had a legal obligation to honor an agreement with public sector unions for a 7 percent increase in public sector salaries as of FY2009/10. However, the court did not specify either a time frame or the modalities for the payment. If fully paid, the agreement could cost up to 0.7 percent of GDP a year. Separately, the Industrial Disputes Tribunal is due to rule on a case brought by the Teachers Union over retroactive salary payments. The authorities strongly reiterated their commitment to the public sector wage policy outlined in the program and agreed that the 7 percent wage increase was incompatible with the program's objectives (MEFP, ¶5). They also recognized that that it was important to arrive quickly at some definitive resolution of the issue, so as to end what could be a major source of uncertainty to the medium-term fiscal outlook. Toward this end, the authorities informed the mission that they were exploring the feasibility of a menu of resolution options that would not jeopardize the medium-term fiscal objectives.
- *Improvement in macroeconomic stability indicators.* While declining interest rates have had an overall positive impact on the fiscal and debt sustainability indicators, their short-term impact on the primary surplus has been negative as a result of the adverse impact on the withholding tax on interest income. Similarly, declining inflation and currency appreciation, reflecting improved macroeconomic stability and investor confidence, have also had a short term negative impact on the primary surplus through lower nominal revenues (see text table below).¹ With continued positive performance under the program, these variables could come in even lower than current projections in 2010/11.

8. **For the remainder of the fiscal year, Staff agreed that some limited flexibility in the fiscal targets was justified** (MEFP,

¶4). Tax revenues are projected to be 0.2 percent of GDP lower than in the First Review, owing to (i) weaker-than-projected payroll tax collections because of weak economic activity; (ii) unanticipated appreciation of the currency; (iii) lower inflation; and (iv) larger-than-expected decline in interest rates. In addition, some grants (0.2 percent of

Sensitivity Analysis of 2010/11 Fiscal Projections
(In percentage points of GDP)

	5% Nominal exchange rate appreciation	100 bp increase in interest rates	1 pp increase in inflation 1/
Tax Revenues	-0.29	0.03	0.14
Interest	-0.14	0.24	0.01
Primary balance	-0.27	0.03	0.14
Overall Balance	-0.14	-0.21	0.13
Public debt 2/	-3.91	-0.21	0.13

1/ Impact as a percent of the nominal GDP projection of the second SBA review.

2/ The public debt simulation assumes that changes in the overall balance are automatically reflected in the stock of public debt.

¹ In the medium term, the improved macroeconomic environment is expected to result in higher investment, growth and fiscal revenues.

GDP) that had been expected this year are now likely to be delayed until FY2011/12. At the same time, the authorities have had to accommodate some unanticipated spending related to the State of Emergency in Kingston and the purchase of critical medical equipment for the two main public hospitals (0.2 percent of GDP). They plan to offset this by reducing budgeted capital spending. As a result, they are requesting a relaxation equivalent to 0.4 percent of GDP in the primary surplus objective. The room for flexibility in the fiscal objectives can only be limited, given Jamaica's high debt. In this case, because of a lower interest bill, the overall public sector deficit and debt targets (7.1 percent of GDP and 139 percent of GDP, respectively) will be broadly unchanged from the First Review.²

B. Fiscal Reform Agenda

9. **Overall, the authorities have advanced their fiscal reforms.** Several components of the reform agenda are moving out of the design stage and into the implementation stage. To a large extent, action plans and strategies have been established. Discussion with the authorities focused on the various potential challenges to effective implementation, including capacity constraints.

- *Amendments to Fiscal Responsibility Framework (FRF) (November 2010 structural benchmark).* The authorities have incorporated key recommendations made by Fund staff to strengthen the FRF (MEFP, ¶7). Staff also welcomed efforts to strengthen the institutional capacity of the Auditor General's office and the Ministry of Finance, which will prepare them to carry out their new responsibilities under the FRF.
- *Central Treasury Management System (CTMS).* By end-September 2010, the authorities will prepare a paper detailing the conceptual design of the CTMS and complete an ongoing inventory of government entities' accounts in financial institutions (new structural benchmarks) (MEFP, ¶6). These two benchmarks represent key steps in the implementation of the action plan. During the mission, staff found that the need to satisfy conditionality of various international development agencies in other areas of public financial management has led to some uncertainty regarding the appropriate prioritization of tasks. As a result, delays had been registered in the implementation of the CTMS action plan. With the help of Fund staff, CARTAC, and a short-term resident consultant, the authorities are streamlining programs in the public financial management area to ensure that all conditionality is logically sequenced. Key steps in the implementation process of the CTMS will need to be completed before other more advanced projects (e.g., introduction of accrual accounting, purchase of new financial management information technology) are undertaken.
- *Public Sector Rationalization Plan (December 2010 structural benchmark).* Staff expressed concern that work had not yet started on a costing of the reform proposals contained in the Master Rationalization Plan (MRP) and emphasized the need to press

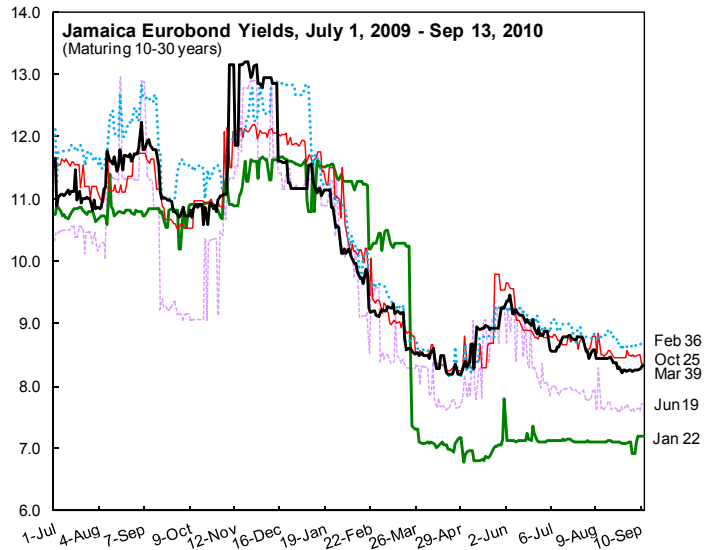
² September performance criteria for direct debt and guaranteed debt have been adjusted slightly to reflect technical revisions in the data.

ahead with public sector rationalization in a way that delivered permanent savings. The authorities explained that this exercise would begin at end-September, once the process of verifying the data in the public employment census was completed and feedback was received from the Parliamentary Committee that was conducting public hearings on the MRP. A costing of reform proposals consistent with program's objectives to rationalize the wage bill over the medium-term will be completed by end-November 2010 (new structural benchmark) (MEFP, ¶8).

- *Strategy to scale back tax incentives (September 2010 program commitment).* Staff welcomed the government's actions to begin to scale down the size of tax incentives (with the support of an IDB policy-based loan) and to develop a new coherent approach that increased transparency, reduced revenue leakages and economic distortions, and supported economic growth (MEFP, ¶9).³ However, the development of the strategy has been postponed to end-December because of difficulties in hiring a consultant. The government's audit of the existing tax waivers is moving ahead as planned (December 2010 structural benchmark).
- *Divestment of public enterprises.* Staff commended the government on its successful divestment of Air Jamaica and the Sugar Company of Jamaica Holdings (SCJH), and on continued progress in other areas (MEFP, ¶11). The possibility of significant new FDI relating to the divestment of SCJH could have significant positive economic and social effects. On Air Jamaica, staff noted that the divestment costs were being kept within projected levels.
- *Tax administration reform.* Staff found that the authorities were making good progress with plans to modernize the tax administration system in line with Fund TA recommendations (MEFP, ¶10). In addition, Staff commended the authorities' expanded special enforcement operations, which had resulted in a marked increase in GCT collections and some very high profile prosecutions of tax delinquency and tax fraud cases.

³ This loan replaces IADB emergency financing envisaged in the original program envelope. Interest rates on the new loan are 350-400 basis points lower and its repayment period is 15-year longer. These funds were disbursed in August 2010.

10. **The authorities plan to introduce an auction mechanism for the sale of their domestic bonds as a means of reducing interest costs.** They agreed that it was important to take advantage of current low market interest rates and available liquidity in domestic financial markets to achieve larger reductions in interest rates on Treasury bonds, which had not fallen as rapidly as Treasury bill rates or yields on Eurobonds. Their debt management strategy also aims to reduce the bunching of maturities.



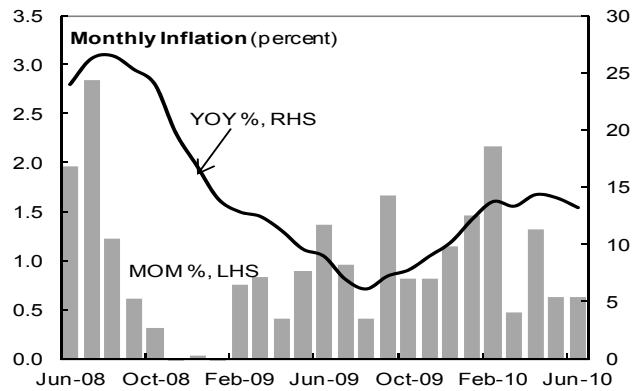
C. Financial Sector

11. **Staff commended the authorities for progress in the implementation of the financial sector reforms** (MEFP, ¶12). A joint MCM/LEG TA mission on UFOs took place in August 2010 and the authorities are now moving ahead to complete the draft concept paper by end-October (new structural benchmark). The phased introduction of risk weighting of F/X denominated government securities is underway. The authorities indicated that, at this stage, few (if any) institutions would face challenges in meeting the higher capital requirements. In particular, they noted that banks had been pro-active in adjusting their balance sheets and reducing their exposure to F/X denominated government securities.

12. **Staff discussed with the authorities possible options for the future use of the resources in the financial system support fund (FSSF).** Staff and the authorities agreed that, if current trends continued, the likelihood was small that the resources in the FSSF would need to be used for their original purpose. Balance sheet, liquidity, and income data continue to indicate that financial institutions have been able to weather well the impact of the Jamaica Debt Exchange (JDX). In this context, it would be appropriate to consider options for the reallocation of some of the resources in the FSSF beginning in 2011. The authorities raised various possible options, which included the following: (i) maintaining them as part of the gross international reserves position; (ii) establishing a general purpose financial sector support fund, aimed at providing liquidity to banks in times of stress; and (iii) early repayment to the Fund. In this latter context, the authorities mentioned an interest in being able to request an augmentation of the program, if there were some subsequent need for additional resources. Staff and the authorities agreed that the future of the FSSF would be discussed further in the context of the next program review, taking account of financial sector developments, the evolution of the balance of payments (BOP), and other relevant factors.

D. Monetary policy

13. **The mission supported the authorities' continued gradual approach to easing monetary policy.** Improved market confidence, expectations of exchange rate stability, and declining inflation had resulted in an increase in the demand for Jamaican dollars and an appreciation of the currency, even as interest rates have declined. Given the favorable momentum in domestic financial markets and weak domestic demand, the mission believed that it was prudent to continue accumulating international reserves⁴ and gradually reducing the central bank policy rate. The authorities concurred. The mission supported the BOJ's announcement of a decline in its projection for end-year inflation from 7½-9½ percent to 6-8 percent and noted that this could help guide down inflation expectations and nominal interest rates.⁵



IV. STAFF APPRAISAL

14. **Macroeconomic performance under the program continues to be generally positive.** Inflation has fallen more rapidly than projected, while ongoing improvement in market confidence has led to faster-than-anticipated reductions in interest rates, and some appreciation pressures. The authorities have appropriately taken advantage of the favorable market conditions to ease monetary conditions and build international reserves. Growth remains negative, even though there are signs that it is bottoming out. While the weak economic activity has contributed to growing nonperforming loans, banks maintain relatively comfortable provisioning levels. Notwithstanding many encouraging developments, risks remain high, in particular from the increasingly uncertain external economic environment, Jamaica's still high debt level, and its susceptibility to shocks.

15. **The authorities continue to demonstrate a strong commitment to the program.** All quantitative performance criteria for end-June were met and the structural reform agenda continues to advance broadly on schedule. Looking ahead, revenues are projected to come in below earlier projections, in large part because of the negative impact of inflation and currency appreciation. The authorities' plans appropriately focus on maintaining their tight rein on expenditure, with some emergency expenditure on security and health being accommodated by reallocating spending from other areas, and continuing their aggressive tax collection efforts. In that context, staff supports the modest reduction in the primary surplus

⁴ Import coverage of international reserves remains relatively low (14 weeks), especially given the relatively low current import levels, due to the weakness in economic activity.

⁵ The September performance criterion for net domestic assets (NDA) of the BOJ has been revised based on updated projections.

objective for FY2010/11 requested by the authorities. Continued restraint on the wage bill will be crucial, not only for meeting the short-term fiscal targets but also for the overall credibility of the program. Slight revisions to the September 2010 performance criteria for government direct debt and government guaranteed debt have been made owing to technical revisions in the data. In addition, the performance criterion for NDA has been revised to reflect updated projections.

16. The financial sector has weathered well the impact of the debt exchange.

Prudential indicators point to a generally resilient financial system and, so far, there have been no requests for financial assistance from the FSSF. In the months ahead, staff will discuss with authorities possible alternative uses of the resources in the FSSF, which could include the creation of a general purpose fund for the financial sector, the reallocation of part of these resources to bolster international reserves, and early repayment to the Fund.

17. Based on the overall satisfactory performance and the demonstrated strong ownership of the program, Staff supports the completion of the Second Review of the SBA.

Box 1 - Public Sector Salary Disputes

There are two main disputes in relation to public sector wages and salaries. One involves the entire public service while the other involves mainly the teachers.

Dispute involving the entire public service: In 2008, the Government of Jamaica (GOJ) signed a Memorandum of Understanding (MOU 3) with the Jamaica Confederation of Trade Unions (JCTU) that provided for a 15 percent salary increase in FY2008/09 and a 7 percent salary increase in FY 2009/10. The increases provided for under MOU 3 were to apply to all public sector workers, including those who were not represented by the JCTU. Public sector workers received the first increase in FY2008/09 but, in light of the deteriorating fiscal position, the GOJ indicated it was unable to pay the 7 percent increase in FY2009/10. As the wage bill had increased by over 45 percent (from 9.3 percent of GDP to 11.8 percent) in two years, the government announced a freeze in public sector workers salaries for three years, starting in FY 2009/10. Members of the Island Special Constabulary Force filed a lawsuit against the GOJ in the Supreme Court requesting that the salary agreement be recognized as a contract and enforced. In August 2010, the Supreme Court ruled that the agreement was a binding contract, and awarded legal costs against the Government. However, the ruling denied the request that interest be paid on outstanding amounts and did not specify the method or timing of payments. If paid in full, the fiscal cost of the 7 per cent increase is estimated at 0.7 percent of 2010 GDP for each fiscal year starting in FY2009/10.

Dispute involving the teachers: In FY2008/09, the GOJ agreed to implement the outcome of a market survey for emoluments for teachers, based on a 2006 agreement, to bring teachers pay to 80 percent of comparable positions in the private sector. Reclassification exercises have also been carried out for some other public sector workers. The reclassification adjustment for teachers, combined with the general 15 percent increase, resulted in a 60 percent increase in teacher salaries compared with 2007 levels. The reclassification exercise was made retroactive to FY2007/08, and the government and teachers agreed that the retroactive portion (some 0.7 percent of GDP) would be paid in three annual installments beginning in FY2010/11, with the first installment covering over half of the total due. However, given the fiscal pressures indicated above, the FY2010/11 budget did not accommodate any retroactive payments for teachers, although some retroactive payments to other public sector workers—amounting to 0.2 percent of GDP—were included. Instead, the government indicated that it would re-phase the payments to the teachers in equal installments over the FY2011-14 period. Teachers went on a two-day strike in May and threatened further industrial action. The Ministry of Labor and Social Security subsequently referred the matter to the Industrial Disputes Tribunal. Hearings were held in August and a decision is pending.

Table 2. Jamaica: Selected Economic Indicators 1/

	2008/09	2009/10		2010/11		Proj.		
		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	...	...	...	...
Treasury Bill rate, period average, in percent	17.0	16.8	16.8	10.3	...	...	...	...
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: primary fiscal balance</i>	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: exports of goods, f.o.b.</i>	17.0	11.1	11.2	12.1	11.6	11.8	12.0	12.1
<i>Of which: imports of goods, f.o.b.</i>	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\$) 7/	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: credit to the central government</i>	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.

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

Table 3 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	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	...	...	...
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	...	...	...
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\$) 7	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.

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

Table 4. 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 5. 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 6. 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 7. 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 8. 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	31.3	-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 9. 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.

Table 10. Jamaica: External Debt Sustainability Framework, 2005/06-2015/16
(In percent of GDP, unless otherwise indicated)

	Actual					Projections						Debt-stabilizing non-interest current account 6
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	
Baseline: External debt	49.3	51.1	50.1	51.4	68.5	69.7	68.6	65.2	59.6	55.0	50.7	-8.3
Change in external debt	0.7	1.8	-1.0	1.2	17.2	1.2	-1.1	-3.4	-5.7	-4.6	-4.3	
Identified external debt-creating flows (4+8+9)	1.0	-0.8	3.9	12.0	8.2	5.0	1.3	2.0	-4.8	-5.8	-6.3	
Current account deficit, excluding interest payments	7.0	6.1	14.4	14.6	3.4	4.1	4.6	3.4	2.5	1.5	0.8	
Deficit in balance of goods and services	18.3	19.5	28.7	29.4	17.5	17.6	17.5	16.2	15.3	14.3	13.4	
Exports	37.4	39.9	39.3	37.0	32.7	30.6	30.8	31.0	30.9	31.1	31.2	
Imports	55.7	59.4	68.0	66.4	50.2	48.2	48.4	47.1	46.2	45.4	44.6	
Net non-debt creating capital inflows (negative)	-5.4	-6.5	-10.9	-5.2	-3.7	-2.4	-4.5	-2.4	-8.3	-8.4	-8.2	
Automatic debt dynamics 1/	-0.6	-0.4	0.3	2.5	8.4	3.3	1.3	1.0	1.0	1.1	1.1	
Contribution from nominal interest rate	3.5	3.6	4.0	3.8	4.0	3.6	2.4	2.3	2.3	2.2	2.2	
Contribution from real GDP growth	-0.5	-1.5	-0.3	0.8	1.4	-0.3	-1.2	-1.3	-1.2	-1.1	-1.1	
Contribution from price and exchange rate changes 2/	-3.5	-2.6	-3.3	-2.1	3.0	...	...	...	...	...	...
Residual, incl. change in gross foreign assets (2-3) 3/	-0.4	2.6	-4.8	-10.8	9.0	-3.8	-2.5	-5.4	-0.9	1.2	2.0	
External debt-to-exports ratio (in percent)	132.0	128.2	127.6	138.6	209.5	227.7	222.5	210.8	192.8	177.0	162.4	
Gross external financing need (in billions of US dollars) 4/	1.8	2.1	3.0	3.0	1.3	1.4	1.7	1.6	1.6	1.6	1.5	
in percent of GDP	15.7	17.5	22.5	22.4	10.1	10.0	11.6	10.5	9.4	9.6	8.6	
						10-Year	10-Year					
Scenario with key variables at their historical averages 5/						69.7	72.2	71.4	75.1	80.2	86.1	-4.0
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation					
Real GDP growth (in percent)	1.2	3.2	0.6	-1.6	-2.5	0.9	1.8	0.6	1.8	2.0	2.0	2.0
GDP deflator in US dollars (change in percent)	7.8	5.5	7.0	4.3	-5.6	4.2	6.8	12.9	3.6	2.9	3.2	2.1
Nominal external interest rate (in percent)	7.7	8.0	8.4	7.7	7.2	7.5	0.5	6.0	3.7	3.6	3.6	3.9
Growth of exports (US dollar terms, in percent)	9.5	16.2	6.0	-3.3	-18.7	2.3	10.2	6.3	6.2	5.4	5.1	4.7
Growth of imports (US dollar terms, in percent)	16.4	16.0	23.2	0.3	-30.4	5.6	14.8	8.9	5.7	2.3	3.1	2.4
Current account balance, excluding interest payments	-7.0	-6.1	-14.4	-14.6	-3.4	-6.9	4.5	-4.1	-4.6	-3.4	-2.5	-1.5
Net non-debt creating capital inflows	5.4	6.5	10.9	5.2	3.7	6.0	2.0	2.4	4.5	2.4	8.3	8.4

1/ Derived as $[r - g - \rho(1+g) + \alpha(1+r)] / (1+g+\rho+g\rho)$ times previous period debt stock, with r = nominal effective interest rate on external debt; ρ = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate; α = nominal appreciation (increase in dollar value of domestic currency), and α = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as $[-\rho(1+g) + \alpha(1+r)] / (1+g+\rho+g\rho)$ times previous period debt stock. ρ increases with an appreciating domestic currency ($\epsilon > 0$) and rising inflation (based on GDP deflator).

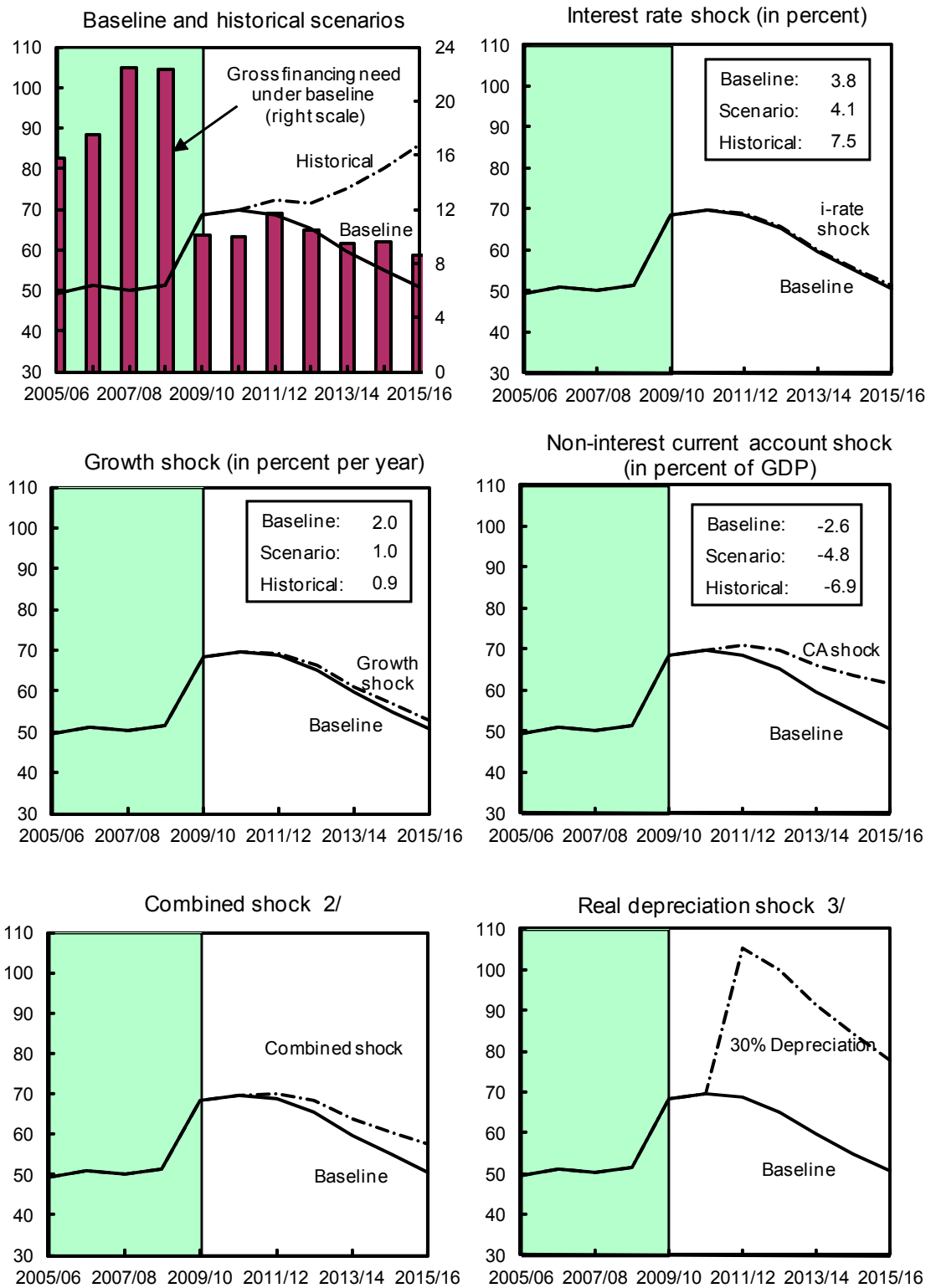
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 3. Jamaica : External Debt Sustainability: Bound Tests 1/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

3/ One-time real depreciation of 30 percent occurs in 2010.

Table 11. Jamaica: Public Sector Debt Sustainability Framework, 2001/02-2012/13
(In percent of GDP, unless otherwise indicated)

	Actual				Projections					Debt-stabilizing primary balance 9/ 2.6
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	
Baseline: Public sector debt 1/	117.1	114.2	126.1	139.8	139.0	132.9	125.7	115.1	105.3	
Government debt 1/	106.8	101.7	108.9	119.1	118.6	112.7	106.6	97.1	88.2	
Of which: foreign-currency denominated	54.8	51.5	63.0	67.6	68.6	67.9	65.3	60.3	55.2	
Government guaranteed debt 1/	10.3	12.5	17.2	20.6	20.4	20.2	19.1	18.0	17.1	
Change in public sector debt	-5.0	-5.1	7.2	10.3	-0.5	-5.9	-6.1	-9.5	-8.9	
Identified debt-creating flows (4+7+12)	7.1	-5.3	10.9	4.9	-5.6	-7.3	-8.0	-8.9	-8.3	
Primary deficit	-7.1	-7.9	-4.9	-6.1	-4.9	-6.8	-7.6	-8.3	-9.0	
Revenue and grants	26.0	27.5	26.9	27.0	26.0	26.2	26.5	26.8	27.1	
Primary (noninterest) expenditure	19.0	19.6	22.0	20.9	21.1	19.4	18.9	18.5	18.1	
Automatic debt dynamics 2/	14.2	2.1	15.1	11.0	-0.7	-0.5	-0.4	-0.6	0.7	
Contribution from interest rate/growth differential 3/	-1.7	-0.7	1.5	10.1	-0.7	-0.5	-0.4	-0.6	0.7	
Of which contribution from real interest rate	1.7	-0.1	-0.3	7.3	-0.1	1.5	1.7	1.3	2.6	
Of which contribution from real GDP growth	-3.4	-0.7	1.8	2.9	-0.6	-1.9	-2.1	-2.0	-1.9	
Contribution from exchange rate depreciation 4/	15.8	2.8	13.7	0.8	...	...	...	...	...
Other identified debt-creating flows	0.0	0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	
Privatization receipts (negative)	0.0	0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3) 5/	-12.1	0.2	-3.7	5.3	5.1	1.4	1.9	-0.6	-0.6	
Public sector debt-to-revenue ratio 1/	449.8	415.4	469.1	517.5	533.8	506.5	474.5	429.8	388.8	
Gross financing need 6/	26.5	15.8	17.6	25.6	13.0	12.0	16.3	16.9	14.9	
in billions of U.S. dollars	3.2	2.1	2.4	3.2	1.9	1.8	2.6	2.8	2.6	
Scenario with key variables at their historical averages 7/					139.0	132.1	124.4	114.1	104.0	0.0
Scenario with no policy change (constant primary balance) in 2008-2012					139.0	133.7	128.8	121.2	115.3	2.5
Key Macroeconomic and Fiscal Assumptions Underlying Baseline										
Real GDP growth (in percent)	3.4	0.6	-1.7	-2.5	0.6	1.8	2.0	2.0	2.1	
Average nominal interest rate on public debt (in percent) 8/	12.1	12.3	13.5	16.9	10.4	8.5	8.3	8.3	8.5	
Average real interest rate (nominal rate minus change in GDP deflator, in p	2.0	0.0	-0.5	6.0	0.0	1.5	1.7	1.5	3.0	
Nominal appreciation (increase in US dollar value of local currency, in perc	-29.6	-4.6	-19.5	-1.1	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	10.1	12.3	14.0	10.9	10.4	7.0	6.5	6.7	5.5	
Growth of real primary spending (deflated by GDP deflator, in percent)	20.5	4.2	10.2	-7.2	1.5	-6.5	-0.6	-0.3	-0.2	
Primary deficit	-7.1	-7.9	-4.9	-6.1	-4.9	-6.8	-7.6	-8.3	-9.0	

1/ Central government and government guaranteed debt on gross basis. From FY 2002/03, includes debt issued to the BoJ to cover its cash losses and related capitalized interest.

FY 2006/07 debt includes US\$350 million in prefinancing. The primary balance includes budgetary primary balance and off-budget expenditure. Dynamics do not drive Guaranteed Debt.

2/ Derived as $((r - p(1+g) - g + ae(1+r))/(1+g+p+gp))$ times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as $-g$.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $ae(1+r)$.

5/ For projections, this line includes exchange rate changes.

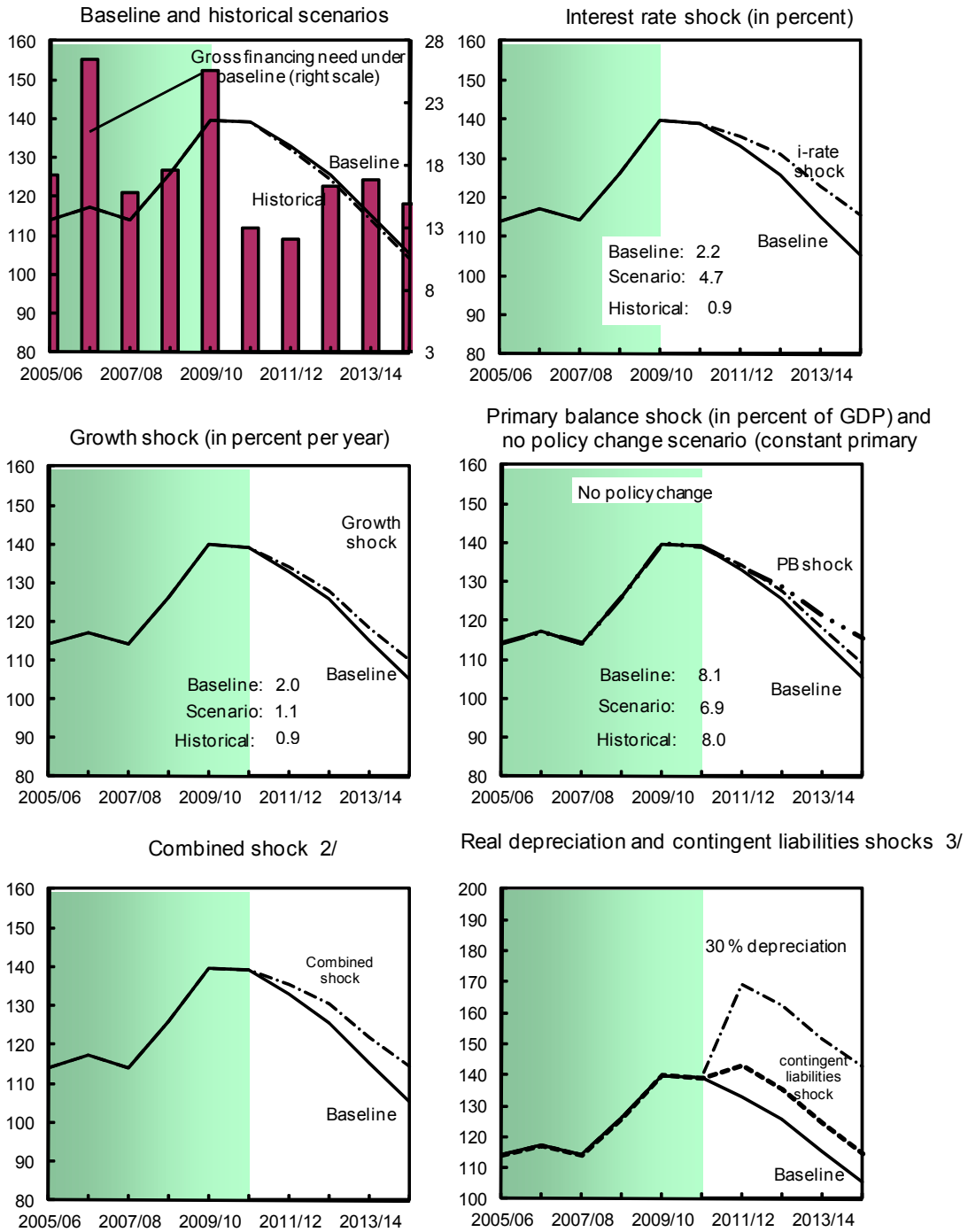
6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

7/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP. Guaranteed debt added for presentational purposes.

8/ Derived as nominal interest expenditure divided by previous period debt stock.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 4. Jamaica: Public Debt Sustainability: Bound Tests 1/
(Public debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
 1/ Shaded areas and the Baseline projection line represent actual Central Government Debt data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
 2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.
 3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2009, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Table 12. Jamaica: Schedule of Reviews and Purchases

Date	Amount of Purchase		Conditions
	Millions of SDR	Percent of Quota	
	Purchases already made		
February 8, 2010	414.3	151.5	Approval of arrangement
June 24, 2010	63.7	23.3	First review and end-March 2010 performance criteria
	Purchases to be made		
September 29, 2010	31.9	11.7	Second review and end-June 2010 performance criteria
December 14, 2010	31.9	11.7	Third review and end-September 2010 performance criteria
March 24, 2011	127.5	46.6	Fourth review and end-December 2010 performance criteria
June 24, 2011	31.9	11.7	Fifth review and end-March 2011 performance criteria
September 24, 2011	31.9	11.7	Sixth review and end-June 2011 performance criteria
December 24, 2011	31.9	11.7	Seventh review and end-September 2011 performance criteria
March 24, 2012	55.5	20.3	Eighth review and end-December 2011 performance criteria
Total	820.5	300.0	

Table 13. Jamaica: Indicators of Capacity to Repay the Fund Under a Proposed SBA, 2009/10-2014/15

	IMF staff projections					
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Fund repurchases and charges						
In millions of US dollars	3.4	11.4	14.9	15.9	395.6	571.5
In percent of exports of goods and nonfactor services	0.1	0.3	0.3	0.3	7.7	10.6
In percent of external debt services	0.5	2.2	1.5	1.7	28.0	35.8
In percent of quota	0.8	2.6	3.5	3.7	92.2	133.2
In percent of gross international reserves	0.1	0.4	0.4	0.5	13.4	19.5
Fund credit outstanding						
In millions of US dollars	650.0	1,050.0	1,287.3	1,287.3	906.0	343.5
In percent of exports of goods and nonfactor services	15.9	24.1	27.9	26.5	17.7	6.4
In percent of external debt services	94.8	204.3	132.5	134.9	64.0	21.5
In percent of quota	151.5	244.7	300.0	300.0	211.2	80.0
In percent of gross international reserves	26.7	35.3	38.9	39.6	30.8	11.7
Memorandum items						
Exports of goods and nonfactor services (in millions of US dollars)	4,092.5	4,348.9	4,617.1	4,865.8	5,111.9	5,370.4
External debt services (in millions of US dollars)	685.7	514.0	971.5	954.3	1,414.8	1,596.1
Quota (in millions of US dollars)	429.1	429.1	429.1	429.1	429.1	429.1
Gross international reserves (in millions of US dollars)	2,434.2	2,977.7	3,312.0	3,254.2	2,943.3	2,928.3

Appendix 1. Structural Reform Agenda

Target Date 1/	Structural Benchmark / MEFP Commitments	Type	Status	Comment
Institutional Fiscal Reform				
Mar-10	Pass a fiscal responsibility framework (FRF) and accompanying legislative amendments.	Benchmark MEFP Jan-2010	Met	Approved in Parliament in March. Work on amendments and supporting regulations needed to enhance the effectiveness of the FRF is ongoing (see below).
Mar-10	Freeze on wage and salary increases through FY 2011/12.	Commitment MEFP Jan-2010	Met	FY2010/11 Budget includes the freeze.
Jun-10	Conduct a government employment / compenstion census and create a public sector monitoring database.	Commitment MEFP Jan-2010	Met	The census of employment and compensation has been completed and a database has been created. The authorities are verifying the census results through work been conducted by the Public Sector Transformation Unit (PSTU) and through a formal payroll audit conducted by the Auditor General's office with the assistance of the World Bank.
Jun-10	Prepare time-bound tax administration reform action plan.	Commitment MEFP Jan-2010	Met	Modernization strategies for tax and customs administration were prepared and costed and are accompanied by detailed action plans.
Jun-10	Complete a time bound action plan to establish a central treasury management system (CTMS) by end 2010.	Benchmark MEFP Jan-2010	Met	An action plan to implement the CTMS was prepared. The authorities are expected to finalize by end September 2010 an inventory of all public sector bank accounts and a detailed conceptual CTMS design to further inform the action plan.
Sep-10	Finalize and inventory of all public sector bank accounts	Bechmark MEFP Sep-2010	In progress	The authorities have already collected the relevant information from the banking system for a considerable number of public sector entities. Information remains to be provided by some financial institutions on some outstanding public entities.
Sep-10	Prepare a detailed conceptual design for CTMS	Benchmark MEFP Sep-2010	In progress	A first draft has been presented to Staff for comments.
Nov-10	Ammend FRF legislation and introduce regulations.	Benchmark MEFP Jun-2010	In progress	Chief Parliamentary Counsel prepared a draft second set of amendments to the fiscal responsibility framework is currently being reviewed by the Ministry of Finance (MOF). Once the amendments are reviewed by MOF and staff, they will be submitted to Cabinet for approval during September 2010 & thereafter to Parliament for debate.
Nov-10	Undertake a costing exercise of the different reform options presented in the Public Sector Transformation Unit Report consistent with wage bill rationalization commitments under the SBA.	Benchmark MEFP Sep-2010	In progress	The authorities have indicated that the exercise will be carried out after the validation of the census information is completed and Parliament provided his comments by end November 2010.
Sep-10	Prime Minister's Committee Report on Public Sector Reform due.	Commitment MEFP Jan-2010	In progress	The public sector reform report is with Parliament and unions for comment and will be finalized once these are incorporated. Costing of the different reform options will be carried out by end November 2010.
Sep-10	Announce strategy to scale back and reform the tax incentive system.	Commitment MEFP Jan-2010	Met	The announcement of a new strategy in relation to tax incentives took place on Aug 5, 2010.
Dec-10	Complete time-bound public employment and compensation reform action plan (to be implemented in FY2011/12 Budget).	Benchmark MEFP Jan-2010	In progress	Reform strategy is expected to be tabled in Parliament (Dec 2010) after the ongoing consultations and costing exercises that will be conducted by the Public Sector Transformation Unit are complete.
Dec-10	Tax incentive reform.	Benchmark MEFP Jun-2010	In progress	The current scope of tax incentives has been frozen until a new strategy to rationalize tax incentives is in place. An audit of tax incentives and waivers is also ongoing. The finalization of the strategy to rationalize tax incentives has been delayed until December given difficulties in finding a suitable consultant. A consultant is expected to be identified with the assistance of the IADB in the coming month.
Apr-11	CTMS system to be operational and in position to support the implementation of FY 2011/12 budget.	Commitment MEFP Jun-2010	In progress	On track. Necessary steps toward this objective are being carried out including the conceptual design and the inventory of all accounts mentioned above.
FY2013/14	Reduce wage bill to 9.5 percent of GDP.	Commitment MEFP Jan-2010	In progress	The costing exercises that will be carried out by the Public Sector Transformation unit by end November 2010 will be consistent with this objective.
Public Entities				
Mar-10	Lease remaining Sugar Company Factories or put on zero-deficit budget.	Commitment MEFP Jan-2010	Met	Agreement signed between the Government and Chinese state-owned investment company Complant Sugar International Limited on July 30, 2010 for the remaining estates (Monymusk, Bernard Lodge and Frome). Full divestment is expected by December 2010 if due diligence is completed successfully.
Apr-10	Increase JUTC bus fares by 40 percent or more.	Commitment MEFP Jan-2010	Met	Increased by 40 percent on average.
Jun-10	Divest or liquidate Air Jamaica.	Commitment MEFP Jan-2010	Met	Agreements signed; full take over within 6 to 12 months proceeding as planned.
Debt Management				
Jun-10	Complete cost-risk analysis alternative debt management strategy.	Commitment MEFP Jan-2010	Met	Received IMF/WB/IDB TA. Follow-up TA necessary to build strategic and analytical capacity (Oct-10).
Sep-10	Hire a resident Technical Financial Advisor and a Project Manager for a 1-2 year period.	Benchmark MEFP Jun-2010	In progress	Will be in place by October 2010
Dec-10	Complete a restructuring of debt management functions.	Commitment MEFP Jun-2010	In progress	Upgrade status of debt management agency and enhance its capacity to carry out back, middle and front office functions. Scheduled to receive joint Fund/WB/IDB TA in October 2010

1/ All target dates refer to end month.

Appendix 1 (Continued). Structural Reform Agenda

Target Date ^{1/}	Structural Benchmark / MEFP Commitment	Type	Status	Comment
Financial Sector				
Feb-10	Freeze on issuance of new licences for securities dealers with traditional business model.	Benchmark MEFP Jan-2010	Met	...
Mar-10	Improve frameworks for AML/CFT.	Benchmark MEFP Jan-2010	Met	Financial Investigations Division Bill and other legislation passed.
Mar-10	Review/revise concept paper for an omnibus banking law to strengthen financial sector oversight.	Benchmark MEFP Jan-2010	Met	Completed; presented to Minister of Finance in June 2010 and submitted to Cabinet in July 2010.
Jun-10	Examine Bankruptcy Law reform.	Commitment MEFP Jun-2010	In progress	FSC to explore feasibility of enhanced repo-client protection.
Jun-10	Phased introduction of 100 percent risk weighting on foreign currency denominated GOJ bonds.	Commitment MEFP Jun-2010	Met	First installment (a 12½ percent risk weight) implemented end June 2010. Second installment scheduled for end-September
Jun-10	Finalize list of amendments to the BOJ Act.	Commitment MEFP Jun-2010	In progress	Part of efforts to establish legal framework to support BOJ's mandate for financial system stability. Note prepared by BOJ submitted to cabinet in June. Comments received from the IMF and the MOF to be discussed (FSC,BOJ & MOF) in August in order to finalize cabinet submission in order for drafting instructions to be issued.
Aug-10	Develop enhanced capital and margin requirements for the securities dealer sector.	Commitment MEFP Jan-2010	Met	Second Fund TA mission took place in August 2010. Work program on track. A consultation paper has been prepared and will be discussed with industry during September-October.
Sep-10	Dealers requirement to register customer interest against underlying instruments in a central depository.	Commitment MEFP Jan-2010	Met	New FSC guidelines stipulate that customer interests be registered in the CSD through the use of an omnibus client account, whereby dealers place all assets subject to retail repos in a separate JamCLEAR CSD holding account, which is an account maintained by a dealer to facilitate the segregation of clients' unencumbered financial assets that are associated with a repo agreement. Securities dealers will be required to keep clear records of clients' interests, which must be reconciled on a daily basis.
Oct-10	Prepare concept paper outlining measures to combat unlawful financial operations (UFOs).	Benchmark MEFP Sep-2010	In progress	Original June 2010 benchmark not met. Previously delayed Fund TA has been delivered. Authorities currently preparing paper.
Dec-10	Adopt supervisory rules to take remedial measures against weak entities on a specified timetable.	Commitment MEFP Jan-2010	Met	Part of omnibus concept paper presented to Minister and Cabinet as above.
Dec-10	Introduce enhanced capital rules for DTIs to address all market risks (including equity and interest).	Commitment MEFP Jan-2010	Met	Part of omnibus concept paper presented to Minister and Cabinet as above.
Dec-10	Amend Unit Trust Act to encourage the development of collective investment schemes.	Commitment MEFP Jan-2010	In progress	Concept Paper for public consultation March 2011.
Dec-10	Amending Companies Act of Jamaica to remove structural impediments to the development of the vibrant mutual fund market.	Commitment MEFP Jan-2010	In progress	Concept Paper for public consultation March 2011.
Jun-11	Pass Omnibus banking law, amend Bank of Jamaica Act and Financial Services Commission Act, implement stronger capital adequacy standards.	Commitment MEFP Jan-2010	In progress	Concept paper distributed; Submitted to Cabinet July 2010; contemplated enactment 2012.
Mar-11	Close gaps in the power of the FSC to conduct consolidated supervision in line with Omnibus Banking bill.	Commitment MEFP Jan-2010	In progress	To be based on review of BoJ Concept note. Progress to be discussed
Mar-11	Amendments to Securities Act to enhance regulatory regime for securities dealers.	Commitment MEFP Jun-2010	In progress	Concept paper to be completed Aug-11; Cabinet submission Dec-11.
Mar-11	Securities dealers to pledge collateral against client interests in the CSD.	Commitment MEFP Jun-2010	In progress	Exploring increased functionality of CSD in this respect.
Mar-12	Fully implement regulations to strengthen the regulatory and supervisory framework of the securities dealers sector.	Commitment MEFP Jan-2010	In progress	Includes full implementation of 100 percent risk weighting.

^{1/} All target dates refer to end month.

ATTACHMENT 1. 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 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 FRF 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,

/s/

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

/s/

Brian Wynter
Governor, Bank of Jamaica
Jamaica

ATTACHMENT 2. 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 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 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

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.

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

(in J\$ billions)	Jun-10	SBA PC		Adjusted SBA PCs 7/	Proj. Diff.	Status of SBA PC
		2nd Review end Jun-10	Adjustments			
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 through April 1.

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 FY 2010/2011. The authorities clarified that the SCJ loans that would be taken over were never part of the stock of guarantees.

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 UFOs 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. performance criteria	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

³ See Appendix 3 for details.

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 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 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/

	2008/09	2009/10		2010/11		Proj.		
		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	...	...	...	...
Treasury Bill rate, period average, in percent	17.0	16.8	16.8	10.3	...	...	...	...
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: primary fiscal balance</i>	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: exports of goods, f.o.b.</i>	17.0	11.1	11.2	12.1	11.6	11.8	12.0	12.1
<i>Of which: imports of goods, f.o.b.</i>	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\$) 7/	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)								
Money and credit								
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: credit to the central government</i>	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.

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

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	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	...	...	...
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	...	...	...
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\$) 7	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.

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

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	31.3	-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.

ATTACHMENT 3. 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: 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

VIII. 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.

IX. 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.

X. 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.¹ This information should be received with a lag of no more than six weeks after the closing of each month.

¹ 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 BOP 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.

ATTACHMENT 4. 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.

INTERNATIONAL MONETARY FUND

JAMAICA

**Second Review Under the Stand-By Arrangement
Informational Annex**

Prepared by the Western Hemisphere Department

September 16, 2010

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Appendix I—Fund Relations
(As of August 31, 2010)

I. Membership Status: Joined: February 21, 1963 **Article VIII**

II. General Resources Account:	SDR Million	% Quota
Quota	273.50	100.00
Fund holdings of currency	751.55	274.79
Reserve position	0.00	0.00
Lending to the Fund		
Notes Issuance		
Holdings exchange rate		

III. SDR Department:	SDR Million	% Allocation
Net cumulative allocation	261.64	100.00
Holdings	215.87	82.50

IV. Outstanding Purchases and Loans:	SDR Million	% Quota
Stand-by Arrangements	478.00	174.77

V. Latest Financial Arrangements:

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u> -	Amount	
			<u>Approved</u> (SDR Million)	<u>Amount Drawn</u> (SDR Million)
Stand-By	Feb 04, 2010	May 03, 2012	820.50	478.00
EFF	Dec. 11, 1992	Mar. 16, 1996	109.13	77.75
Stand-By	Jun. 28, 1991	Sep. 30, 1992	43.65	43.65
Stand-By	Mar. 23, 1990	May 31, 1991	82.00	82.00

VI. Projected Payments to Fund¹:

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal				171.29	239.00
Charges/Interest	1.60	6.30	6.30	5.81	3.04
Total	<u>1.60</u>	<u>6.30</u>	<u>6.30</u>	<u>177.10</u>	<u>242.04</u>

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative: Not Applicable**VIII. Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable****IX. Exchange Rate Arrangements:**

The external value of the Jamaican dollar has been determined in an interbank market operated by commercial banks beginning September 17, 1990. The Jamaican dollar has depreciated significantly since that time. At August 31, 2010 it was trading at around J\$85.5 to the U.S. dollar.

X. Last Article IV Consultation and Program Relations:

Jamaica is under 27-month Stand-By Arrangement in an amount equivalent to 300 percent of quota. The last Article IV consultation was completed by the Executive Board on February 4, 2010.

XI. Technical Assistance:

Department	Dates	Purpose
MCM	July 2010	Unlawful financial operations
MCM	August 2010	Strengthening capital requirements for securities dealers
MCM	May 2010	Medium term debt management strategy framework
FAD	April 2010	Tax and customs administration
FAD	March 2010	Fiscal responsibility and central treasury management
MCM	March 2010	Strengthening capital and margin requirements
FAD	December 2009	Tax policy
LEG/MCM	February 2008	Financial sector regulatory and supervisory frameworks
FAD	September 2006	Tax and customs administration
MAE	May 1995	Review of deposit insurance scheme
	October–December 1995	Banking supervision
	February–June 1996	Banking supervision
	September 1996	Banking crisis and restructuring
	October 1996	Banking supervision
	February 1997	Central bank accounting
	May 1997	Banking supervision
	August 1997	Banking supervision

	January 1998	Banking supervision
	April 1998	Public debt management
	May 1998	Financial sector restructuring
	April 2001	Banking supervision
	January 2002	Banking supervision
STA	September 1996	Multisector statistics assessment
	July 2002	Organization of Statistics Office

XII. Resident Representative:

The post of the resident representative was established effective June 1, 2010.

Appendix II. Jamaica—Relations with the World Bank

(As of September 4, 2010)

The new Jamaica-World Bank Group Country Partnership Strategy (CPS) was discussed by the WB Board of Executive Directors on March 23, 2010, following extensive consultations with key stakeholders. This CPS, which will guide support from the Bank Group during 2010-2013, supersedes the Country Assistance Program that ended in June 2009. The new strategy is fully aligned with the government's outcome-oriented medium-term framework and broadens potential Bank support compared with the last four-year country strategy. The last strategy focused mostly on human development, including support for the Program of Advancement through Health and Education (PATH) and projects in inner-city communities. The Bank considers it important to continue this focus, in addition to the work it started on fiscal and debt sustainability issues in 2009, and to address more directly the growth agenda through approaches to improve competitiveness and skills development. The strategy also promotes inclusive growth through crime and violence prevention, strengthening human capital and rural development. There is also a focus on governance. The IFC will work with the private sector and collaborate with the Bank on the regulatory and private-public partnership issues to strengthen Bank Group synergies in Jamaica.

A. Projects

The **Second Jamaica HIV/AIDS Project** was approved in May 2008 for US\$10 million. The project development objective is to assist in the implementation of the Government's National HIV/AIDS Program by: a) supporting the deepening of prevention interventions targeted at high risk groups and the general population; b) increasing of access to treatment, care and support services for infected and affected individuals; c) strengthening the program management and analysis to identify priorities for building the capacity of the health sector to respond to the HIV/AIDS epidemic and other priority health problems. Specifically, the principal project is designed to: (i) support the scaling up of HIV/AIDS prevention interventions so as to halt and reverse the spread of HIV/AIDS; (ii) provide financing to strengthen the diagnostic capacity, enhance services (HIV/AIDS, sexually transmitted infections, tuberculosis and prevention of mother-to-child transmission of HIV) and support for those infected and affected by HIV/AIDS; (iii) strengthen institutional capacity in supporting policy formulation for an enabling legal and regulatory environment, program management and monitoring and evaluation; and (iv) support health sector development through the strengthening of biomedical waste management and capacity assessment.

The **Jamaica Social Protection Project** (SPP) was approved in May 2008 for US\$40 million. The Jamaica Social Protection Project will: (i) further improve the effectiveness of the Program of Advancement through Health and Education (PATH) in order to foster investment by poor families in human capital accumulation; (ii) develop a structured system for assisting working-age members of PATH eligible households seek and retain employment; (iii) enable the formulation of a reform program for the public sector pension schemes; and (iv) develop a holistic social protection strategy. The first component, improving effectiveness of the PATH, support the PATH through: (a) co-financing for conditional cash transfers to children 0 to 19 years-old (child grants); and (b) technical improvements to the program. The second component, building capacity for the Steps-to-

Work (StW) program, support capacity building within the Ministry of Labor and Social Security (MLSS) to implement a new initiative. The StW program target working age members of PATH eligible households for referral to the relevant support services to enable them to seek and retain employment. The third component, improving the public sector pension system administration and building capacity for reform, support two core sets of activities focused on the schemes for public sector workers: (i) preparation of a reform program; and (ii) improving administration and information systems. The final component is the development of a holistic social protection strategy. This component supports the Government in developing a holistic social protection strategy to inform decision-making on the appropriate policies and programs to address social risks and vulnerabilities within the population.

The **Jamaica Hurricane Dean Recovery Project** was approved in December 2007 for US\$10 million. The objective of the project is to provide funding to support the restoration of levels of service in selected community infrastructure. Specifically, basic, primary and all-age schools, health clinics and critical feeder roads, at a minimum to pre-hurricane levels, and to increase the Government's ability to respond to natural hazards. The proposed loan incorporates three project components: 1) repair and reconstruction of basic infrastructure; 2) capacity building for hazard risk reduction; and 3) project management. Component one has four subcomponents: basic school finance restoration of early childhood schools infrastructure; restoration of primary and all-age schools infrastructure; finance restoration of community clinics including type I, II and III facilities; and finance restoration of feeder roads. Component two has two subcomponents which include financing support for training on disaster preparedness and mitigation for local government and relevant stakeholders and to finance studies and activities to strengthen the capacity to better respond to natural hazards taking into account lessons learned from past events.

The **Jamaica Rural Education Transformation Development Initiative (REDI)** was approved in September 2009 for US\$15 million. The objective of REDI is to improve market access for rural micro and small-scale producers of agriculture and tourism products, as well as, other service providers. There are three components to the project. The first component, which is support for rural subprojects in agriculture and tourism, will see the Bank financing two types of subprojects: type A will support revenue generating activities in agriculture and tourism, and type B will support provision of critical infrastructure, marketing, and management in the agriculture and tourism sectors. The second component of the project gives support through national technical assistance and capacity building. The main goal of this component is to strengthen relevant national organizations to enhance their capacity to continue assisting the rural enterprises and other project partners and ensure the sustainability of the rural enterprises. Hence, the component will finance technical assistance and capacity building for key organizations and agencies that deliver support services in agriculture and rural tourism at the local level. The third component of the project is project management. This component will finance project management, technical expertise (tourism and agricultural specialists, monitoring and evaluation) staff training, the annual audit, vehicles, office equipment, and other operating costs. This component will also ensure that effective fiduciary arrangements are in place during implementation.

The Jamaica **Early Childhood Development Project** was approved in May 2008 for US\$15 million. The objectives are to: (i) improve the monitoring of children's development, the screening of household-level risks affecting such development, and early intervention systems of the borrower to promote such development (ii) enhance the quality of early childhood schools and care facilities; and (iii) strengthen early childhood organizations and institutions. There are two components to the project. The first component is co-financing the implementation of the National Strategic Plan under Sector-Wide Approach modalities. This component area foresees the strengthening of the Early Childhood Commissions (ECC's) parenting Sub-Committee, the development and implementation of a national Early Childhood Development parenting education and support sub-strategy, and a public awareness campaign. It includes the creation of an accreditation system for early childhood parenting education and support programs and a grant facility to support service providers in meeting accreditation standards. This component area also includes the development of a national policy for screening, referral and early intervention. The development of a screening system for household-level risks and its application to all households enrolled in the Government of Jamaica's income support program is also provided for under this component. The second component finance selected consultant services critical to achieve the project development objective. This component will support the development of a national policy on screening, referral and early intervention, including the design of a screening system for risks at the household level, and the development of a public education strategy about risks for children. It will finance development of sub-strategies for parenting of children aged of 0-3 and 4-6 years, including the mapping of existing parenting education and support programs, the development of an accreditation system for parenting programs, and awareness and advocacy strategies for parenting support programs. It will finance the development of service delivery models for nutritional programs, targeted at different age groups and a strategy for the reorganization and strengthening of well-child clinics.

The **Jamaica Education Transformation Capacity Building** project was approved in November 2009 for US\$15 million. The objective of the Education Transformation Capacity Building Project for Jamaica is to build the capacity of the emerging key agencies (National Education Inspectorate (NEI), Jamaica Teaching Council (JTC), Regional Education Authorities (REA), and National Education Trust (NET) that are being established to support the national Education System Transformation Program (ESTP). There are three components to the project. The first component is the enhanced performance and accountability. Enhanced performance and accountability will contribute to the implementation of the Government of Jamaica ESTP by making operational the following key agencies to form a coherent system to monitor progress and improve accountability and quality: NEI, JTC, and REA. The second component is the mechanisms to mobilize resources to the NET. The NET will be the vehicle through which the Ministry of Education (MoE) will secure a consistent and reliable source of funds to support capital programs in education with a particular focus on, but not limited to, infrastructure. Mechanisms will be established to attract funding from the Diaspora, the private sector, and other sources. Finally, the third component is the communications, project management, and monitoring and evaluation. This component will support the implementation of a strategic communications strategy; provision of staffing,

training, purchase of necessary equipment and materials, and operating costs for the MoE change management unit, responsible for overseeing implementation of the ESTP; and support to carry out evaluations of the ESTP, and annual external audits of project financing.

The **Jamaica Inner City Basic Services for the Poor Project** was approved in March 2006 for US\$29.3 million. The project development objective is to improve quality of life in 12 Jamaican inner-city areas and poor urban informal settlements through improved access to basic urban infrastructure, financial services, land tenure regularization, enhanced community capacity and improvements in public safety. Specifically, the project will: (a) increase access and improve the quality of water, sanitation, solid waste collection systems, electricity, roads, drainage and related community infrastructure for over 60,000 residents of poor urban informal settlements through capital investments and innovative arrangements for operations and maintenance; (b) facilitate access to microfinance for enterprise development and incremental home improvement for entrepreneurs and residents in project areas; (c) increase security of tenure for eligible households in project areas; and (d) enhance public safety through mediation services, community capacity building, skills training and related social services.

In addition to the aforementioned projects, the Bank also provides technical assistance and grant funding to Jamaica. Currently, there are about nine grants under implementation totaling US\$11.0 million. Technical assistance initiatives cover support to various areas including statistics, payroll audit, crime and violence and disaster risk reduction and management.

B. Economic and Sector Work

The Bank, on February 23, 2010 approved a second Development Policy Loan operation to assist the Government of Jamaica in improving fiscal and debt sustainability during FY10-13. This operation is rooted in the CPS of Jamaica and the World Bank Group and supports policy actions in the following areas: (i) promoting fiscal sustainability through and the establishment of a Fiscal Responsibility Framework, rationalization and modernization of Public Bodies, and developing a strategic framework for improved debt management; (ii) increasing the efficiency of public financial management and budgeting processes; and (iii) reducing distortions and enhancing the efficiency and fairness of the tax system. The program's analytical underpinnings include a Country Economic Memorandum (CEM) focused on growth obstacles in Jamaica. The objective of the study is to identify the most critical factors behind the low growth history of Jamaica and develop policy recommendations for unlocking the potential for high growth.

C. Financial Relations¹

(In millions of U.S. dollars)

Project	Original Amount	Total Disbursed	Undisbursed Balance
Rural Economic Development Initiative	15.0	1.0	14.0
Jamaica Early Childhood Development Project	15.0	10.2	4.8
Jamaica Hurricane Dean ERL	10.0	7.0	3.0
JM- Education Transformation Capacity Building	16.0	2.5	13.5
JM – Inner City Basic Services for the Poor Project	29.3	13.5	15.8
Second HIV/AIDS Prevention and Control Project (Second Phase)	10.0	2.8	7.2
Social Protection Project	40.0	12.2	27.8
Total	135.3	49.2	86.1

^{1/} Amounts may not add up to Original Principal due to changes in the SDR/US exchange rate since signing.

Disbursements and Debt Service (Fiscal Year Ending June 30)

	Actual											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Total												
disbursements	65.1	97.6	82.4	85.0	11.3	8.5	21.7	17.3	16.0	118.7	222.0	
Repayments	70.1	56.9	45.7	44.9	47.4	43.4	39.7	45.8	47.9	48.4	46.7	
Net												
disbursements	-5.0	40.7	36.7	40.1	-36.1	-34.9	-17.9	-28.5	-31.9	70.3	175.3	
Interest and fees	22.8	21.6	20.3	21.9	18.9	17.5	20.5	22.4	21.6	16.6	13.2	

Appendix III. Jamaica—Relations with the Inter-American Development Bank

Jamaica joined the Inter-American Development Bank (IDB) in 1969. Since then, the IDB has approved 113 loans (98 projects) to Jamaica amounting to US\$2.6 billion and 211 technical cooperation operations totaling US\$67.5 million. IDB financial assistance has supported a wide range of infrastructural, environmental and social sector projects with a view to enhancing Jamaica's human resource and absorptive capacity and strengthening the foundation for private sector-led growth. In addition, the IDB has supported reforms aimed at strengthening the institutional and regulatory environment.

The IDB is the leading lender to Jamaica among multilateral development partners. As of September 2010, Jamaica's outstanding debt to the IDB stood at US\$ 1.1 billion, of which US\$ US\$1.4 million were loans to the private sector. The total represents 11 percent of public external debt and 32 percent of multilateral debt (including the IMF).

Starting in 2004 there was a drastic reduction in the fiscal space needed to disburse existing Bank loans. As a result over US\$50m of the portfolio had to be cancelled and no new loans were approved from 2004 to 2008. The new administration that took office in 2007 intensified Jamaica's reform program and emphasized a policy of expanding IFI financing for its development program. In response, the IDB updated the 2006-2009 country strategy renewing the lending program based on three basic principles:

- Aim for positive net flows in Jamaica's favor in order to provide countercyclical support during the economic downturn, depending on the degree of reform;
- No new debt, so that our policy-based lending would not add to Jamaica's debt load but rather help improve its debt profile;
- Cash flow savings arising from better loan terms should go toward faster debt reduction, growth-boosting investments or poverty alleviation.

This ushered in a new generation of Bank lending to Jamaica. The IDB approved eight new loans for a total of US\$ 405 million for Jamaica in 2008, including a US\$200m loan to increase private bank lending to the real sector; a US\$60 million policy based loan for improving public financial management; US\$50 million for road rehabilitation; US\$30 million for education reform; a US\$30 million policy based loan for competitiveness; US\$14 million for primary schools; US\$11 million for youth at risk; and US\$10 million for rebuilding infrastructure damaged by floods.

This upward trend continued in January 2009 when the Bank approved two more loan operations: a US\$300 million liquidity program to protect the real sector from lost credit lines; and a US\$15m social safety net program. In September 2009, a US\$70m loan was approved to expand the highway network and a US\$25 million for a citizen security and justice program and US\$10 million for road improvement.

The IDB is currently preparing the Country Strategy with Jamaica for 2011-2015. Since the policy-based loans described above are programmatic in nature, it is expected that the Bank will provide new loans to support subsequent phases of the reforms they target. This lending

modality is expected to dominate the Bank's program with Jamaica in the new strategy period.

The Bank has been providing unprecedented support to the country in 2010 as part of a boarder financial support from multilateral financial institutions. In February 2010, the Bank approved 4 policy based loans for a total of US \$215 million. The areas of intervention were the same than the previously approved PBLs (public financial management, education and competitiveness) and a PBL focused on human capital protection. Also, in August 2010 the Bank approved a new policy based loan for US \$200 million aimed to support fiscal consolidation.

As of August 2010, the Bank's portfolio consisted of 9 investment loans¹ valued at US\$177.8 million, and 36 non-reimbursable technical cooperations valued at US\$19.2 million. Thirty one percent of the IDB project funds and fourty-nine percent of the TC funds have been disbursed, leaving US\$ 207.6 million available for disbursement.

Table 1. Major Ongoing Projects

Project Category	Number	Amount (US\$ mn.)	Percent Disbursed
Projects in execution	9	177.8	31.5
Private sector loans	3	212	0
IIC loans	3	11.2	22
TCs in execution	36	19.2	49.0

1/ Approved amount.

Disbursements reached a low point of US\$12.5 million in 2005, but have rebounded ever since. They doubled to US\$25 million in 2006, and reached US\$34 million in 2007. Due in large part policy-based lending in 2008 and the approval of the liquidity program in 2009, total disbursements rose dramatically to US\$144.2 million, and US\$151.5 million in those years respectively. The figures for 2010 reflect the above mentioned unprecedented support that implied a positive cash flow of more than US\$500 million.

¹ Including private sector loan but excluding IIC

Table 2. Net Flow of IDB Convertible Currencies
(US\$ million)

	2005	2006	2007	2008	2009	2010p
a. Loan disbursements (including PBLs)	12.8	25.9	34.3	144.2	151.5	633.4
b. Repayments (principal)	51.2	64.1	83.5	73.8	74.0	75.1
c. Net loan flow (a–b)	-38.4	-38.2	-49.2	70.4	77.5	558.3
d. Interest and charges	29.8	28.0	27.1	24.0	34.0	30.9
e. Net cash flow (c– d) 1/1	-73.6	-70.6	-78.1	46.4	43.5	527.4

p/Projected

In keeping with the agenda to improve and use national systems the Government of Jamaica, with the support of multilateral institutions and bilateral donors has prepared a wide range of studies in different areas, including a joint World Bank and IDB, *Country Financial Accountability Assessment and Country Procurement Assessment Report (CFAA/CPAR)* in 2005, and a Public Expenditure and Financial Accountability Report (PEFA) in May 2007. Following the recommended actions of those reports, the IDB and the Government agreed on the main areas of the local fiduciary systems for financial control and procurement procedures that needed to be strengthened, and the IDB went on to provide resources to finance development and reform activities stemming from the CFAA/CPAR, with non-reimbursable technical cooperation funds. Furthermore, in order to ascertain progress made in recent years and to determine eligibility to audit IDB-funded projects a follow-up assessment of the Office of the Auditor General of Jamaica is due for completion in early 2010.

Since 2007, Jamaica has developed a comprehensive handbook, more concrete regulations defining its public procurement including a procedure for managing contractual disputes, enhanced accessibility of information, separation of the Office of Contractor General and the National Contracts Committee, as well as creating national standard bidding documents. Although the national procurement system conforms to established principles of procurement based on international standards, some outstanding issues remain to be resolved. With the agreement of the Government of Jamaica, the IDB would undertake an update of the latest country assessment of the national procurement system to identify (a) the improvements in the pertinent aspects of the country procurement system, and (b) the readiness to rely on Jamaica's national procurement systems for Bank-financed projects with a view to adoption of procurement country systems. Ideally, this work can be accomplished together with the World Bank. In addition, the IDB PRODEV facility and the PFPM Programmatic PBL will also support the introduction of performance-based budgets and accrual accounting. The Multi-lateral Investment Fund (MIF) will also promote better access by Small and Medium Enterprises (SMEs) to public procurement.

Table 3. Total Projected Debt Service, 2010-2014
(Millions of U.S. dollars equivalent)

	2010	2011	2012	2013	2014
Principal	75.1	59.5	99.3	99.8	60.3
Interest	30.9	24.1	22.7	19.4	16.4
Total	106.0	83.6	122.0	119.2	76.7

Appendix IV—Statistical Issues

Effective surveillance is hampered by data gaps for the financial sector outside of commercial banks, and for public entities outside of the central government. In early 2003, Jamaica started participating in the Fund's General Data Dissemination System (GDDS), which provides participants with a framework for the development of the statistical system. Jamaica should now focus its efforts on improving its data and dissemination practices by moving towards the goal of subscribing to the Special Data Dissemination Standard (SDDS) over the medium term. No data on industrial production, wholesale or producer prices, import volumes, or export and import prices have been reported for publication in the *International Financial Statistics (IFS)* in recent years.

Key websites for statistics on Jamaica:

Bank of Jamaica:	http://www.boj.org.jm/
Ministry of Finance and Planning:	http://www.mof.gov.jm/
Planning Institute of Jamaica:	http://www.pioj.gov.jm/
Statistical Institute of Jamaica:	http://www.statinja.com/

There are significant weaknesses in the national accounts and other real sector data. In regard to GDP estimates, concerns relate both to level and growth rate. Addressing these shortcomings has been hindered, *inter alia*, by insufficient legal authority granted to the Statistical Institute of Jamaica (STATIN) to collect source data, as well as by institutional weaknesses, and a lack of resources. However, efforts are being made to improve the national accounts, including through updating the base year (currently dating back to 1996) and implementing the 1993 System of National Accounts (*SNA93*). Assistance on national accounts methodology has been provided by Statistics Canada and STA. The first publication of quarterly national accounts took place in August 2002.

Prices

Jamaica (with assistance from the IMF Caribbean Regional Technical Assistance Center, CARTAC) revised its consumer price index (CPI) series in 2007. The CPI revision updated expenditure weights of the CPI that had dated from 1984. The new CPI weights are based on a household survey conducted in 2004–05.

Government finance statistics

Central government operations and debt data are updated on a monthly basis. Some expenditures, however, are not recorded during the period they actually occur, making it difficult to assess the fiscal policy stance. Also, data on public entities outside the central government, although regularly published, are not reported consistently across entities and in a way that is amenable to assessing and formulating the overall direction of fiscal policy.

There is a paucity of data on the external debt stocks and maturities falling due for the nonfinancial public sector.

Government finance statistics are available at:

Debt: <http://www.mof.gov.jm/dmu/>

Budget: <http://www.mof.gov.jm/programmes/em/fpmu/default.shtml>

However, fiscal data are not currently reported for publication in the *IFS*. In 2007, the authorities reported data for 2006, in *GFSM 2001* format, for publication in the 2007 *GFS Yearbook*.

Monetary and financial statistics

Monetary statistics published by the Bank of Jamaica (BOJ) are sectorized, classified, and valued in accordance with international standards, and are provided to the Fund in a timely manner. Currently, information on deposit money banks and monetary authorities is being reported on a regular basis. The BOJ initiated the submission of monetary and financial statistics based on standardized report forms in March 2007. Financial sector statistics outside of the banking system are weak. The absence of adequate data on security dealers is particularly problematic, as dealers' liabilities to the public are larger than those of banks. Consequently, related systemic implications are difficult to assess without timely and comprehensive statistics.

Balance of payments

The BOJ compiles and disseminates balance of payments statistics on a monthly and annual basis. Detailed annual balance of payments and international investment position (IIP) data are reported by the BOJ for publication in the *Balance of Payments Statistics Yearbook (BOPSY)* and the *IFS*. In September 2007, Jamaica reported for the first time IIP data to STA; annual IIP data since 2005 are now available in *BOPSY* and *IFS*.

**JAMAICA: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
AS OF MAY 31, 2010**

	Date of latest observation	Date received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of publication ⁶
Exchange Rates	5/10	5/10	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	5/10	5/10	D	D	D
Reserve/Base Money	4/10	5/10	M	M	M
Broad Money	4/10	5/10	M	M	M
Central Bank Balance Sheet	5/10	5/10	W	W	W
Consolidated Balance Sheet of the Banking System	4/10	5/10	M	M	M
Interest Rates ²	5/10	5/10	D	D	D
Consumer Price Index	4/10	5/10	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	4/10	5/10	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	4/10	5/10	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	4/10	5/10	M	M	M
External Current Account Balance	Q4/09	3/10	Q	Q	Q
Exports and Imports of Goods and Services	3/10	5/10	M	M	M
GDP/GNP	Q4/09	3/10	Q	Q	Q
Gross External Debt	4/10	5/10	M	M	M

¹Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

²Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³Foreign, domestic bank, and domestic nonbank financing.

⁴The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds), and state and local governments.

⁵Including currency and maturity composition.

⁶Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).



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FOR IMMEDIATE RELEASE
September 24, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes Second Review Under Stand-By Arrangement with Jamaica and Approves US\$49.2 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today concluded the second review of Jamaica's economic performance under the Stand-By Arrangement (SBA). Completion of the review enables the immediate disbursement of an amount equivalent to SDR 31.9 million (about US\$49.2 million), bringing total disbursements under the arrangement to SDR 509.9 million (about US\$786.2 million).

The program performance continues to be positive, with all end-June quantitative performance criteria met and all but one structural benchmark completed, owing to circumstances beyond the Jamaican authorities control.

The IMF's Executive Board approved a 27-month SBA in an amount equivalent to SDR 820.5 million (about US\$1.27 billion; 300 percent of quota) on February 4, 2010 (see Press Release No. 10/24). The pillars of the program include: (i) fiscal consolidation and institutional reform, including fiscal responsibility legislation and Central Treasury Management; (ii) public debt restructuring, which was completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks.

Following the Executive Board discussion on Jamaica, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, made the following statement:

“Overall performance under the Stand-By Arrangement continues to be positive. Inflation is declining more rapidly than projected and ongoing improvement in market confidence has resulted in interest rates falling to their lowest levels in many years. With incipient signs of a recovery, it is projected that growth will turn positive in the second half of the fiscal year.

“Fiscal performance remains on track with all quantitative performance targets met. These are encouraging developments. Continued vigilance is necessary as risks remain, in particular

from the uncertain external economic environment, Jamaica's still high debt level, and its susceptibility to external shocks. Continued expenditure restraint, especially on the wage bill, will be critical to the success of the program, not only for meeting the short-term fiscal targets but also for achieving its objective of ensuring a shared burden of the fiscal adjustment.

“Further progress in structural reforms will be necessary to resolve underlying economic imbalances and strengthen the basis for strong and sustained growth. Good progress was made in a number of areas, including the divestment of the Sugar Company of Jamaica and the completion of action plans for their tax administration and central Treasury management reforms. It will be important to ensure that ongoing plans for public sector rationalization and tax incentives reform will deliver gains in fiscal savings and economic efficiency.

“In the financial sector, reforms aimed at strengthening prudential requirements and the overall supervisory framework are proceeding satisfactorily.”