INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/150

JAMAICA

June 2015

EIGHTH REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR WAIVER FOR THE NONOBSERVANCE OF PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; AND STAFF REPORT

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

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on May 12, 2015, 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 June 1, 2015.

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

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

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

Press Release No.15/277
FOR IMMEDIATE RELEASE
June 16, 2015

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Concludes Eighth Review under the Extended Fund Facility with Jamaica and Approves US$39.8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the eighth review of Jamaica's economic performance under a program supported by a four-year Extended Fund Facility (EFF) of SDR 615.38 million (about US$932.3 million at the time of approval)[1]. The completion of the review enables the disbursement of SDR 28.32 million (about US$39.8 million). The four-year EFF arrangement with Jamaica was approved by the IMF's Executive Board on May 1, 2013 (see Press Release 13/150). The Board's decision on the eighth review was taken on a lapse of time basis[2].

Jamaica's economic performance under the authorities' economic program is on track and has remained strong. All performance criteria for end-March 2015 were met, with the exception of the central government primary balance criterion, which was narrowly missed. Structural reforms have advanced broadly in line with the program.

Half-way into the authorities' four-year reform program, investment and growth prospects are gradually improving. Growth is projected to approach 2 percent in 2015/16, as the full impact of lower oil import costs and the recovery from last year's drought materialize, and as the improved business climate and confidence feed economic activity. Lower oil prices have improved the current account and, combined with prudent monetary policy, reduced inflation to its lowest point in nearly 50 years.

Continued proactive implementation of the government's growth strategy will be critical to improve Jamaica's economic growth and job opportunities. To foster sustainably lower electricity costs, scheduled investments in new power plants need to proceed without delay. Improving access to credit by small and medium-sized enterprises will improve financial inclusion and support private investment. The recent welcome shift to a more

[1] The EFF is intended for countries which are: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. It provides assistance in support of comprehensive programs that include policies aimed at correcting structural imbalances over an extended period. Financing under the EFF currently carries the IMF's basic rate of charge, with a grace period of 4.5 years and a maturity of 10 years. (http://www.imf.org/external/np/exr/facts/eff.htm).
[2] The Executive Board takes decisions without a meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.

accommodative monetary policy stance should support the expansion of private credit and economic growth. Further loosening hinges on the responses of international capital flows and the inflation trend. Continued focus on strengthening the regulatory and supervisory framework of the financial sector remains essential for stability. Fiscal sustainability relies on fundamental reform to bolster tax compliance and constrain the growth of current spending. This calls for improvements in revenue administration and a sustainable reduction in the public sector wage bill through fundamental civil service reform. Improvements in public financial management are also important to raise the efficiency of public spending.

INTERNATIONAL MONETARY FUND

JAMAICA

June 1, 2015

EIGHTH REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR WAIVER FOR THE NONOBSERVANCE OF PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Investment and growth prospects are gradually improving. Growth is projected to be about 2 percent in 2015/16, as the full-year impact of lower oil import costs and the recovery from last year's drought materialize, and as improvements in the business climate and confidence feed through to activity. Lower oil prices are expected to reduce inflation faster than previously expected.

Implementation of the government's reform agenda remains strong. All performance criteria were met, with the exception of the end-March performance criterion for the primary balance which was narrowly missed. Structural reforms have advanced broadly in line with the program. Staff supports the authorities' request for the completion of the eighth review of the arrangement.

Focus of the review. At the half-way juncture of the authorities' IMF-supported program, discussions centered on how best to capitalize on improving business and consumer confidence to catalyze higher private investment, employment and growth. The authorities have produced a comprehensive growth strategy that tackles the need for macroeconomic stability, strategic investments that promote job creation, and improvements in the business environment. Meanwhile, the program continues to bolster revenue administration and financial stability.

Although risks to the program are slowly receding, they remain high. Without stronger economic activity, social support for the demanding reform program may falter. External financial flows could be affected by exogenous shocks, notably higher U.S. interest rates or changes in PetroCaribe flows. Continued weakness in budget revenue could jeopardize the sustainability of the fiscal consolidation over a longer horizon. Vulnerabilities in the financial system are temporarily elevated due to the securities dealers sector transitioning to a new business model and the domestic government bond market remaining frozen.

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

Discussions took place in Kingston during May 4–12, 2015. Staff representatives comprised N. Che, J. Martijn (outgoing mission chief), U. Ramakrishnan (incoming mission chief) and D. Simard (all WHD), C. Lonkeng Ngouana (FAD), R. Garcia-Verdu (SPR), A. Arda (MCM), and B. van Selm (Resident Representative). They were assisted at headquarters by F. Strodel, E. Kapijimpanga, and E. Moreno, and at the Resident Representative office by K. Tyrell and K. Jones. Mr. Lessard (OED) participated in the discussions.

CONTENTS

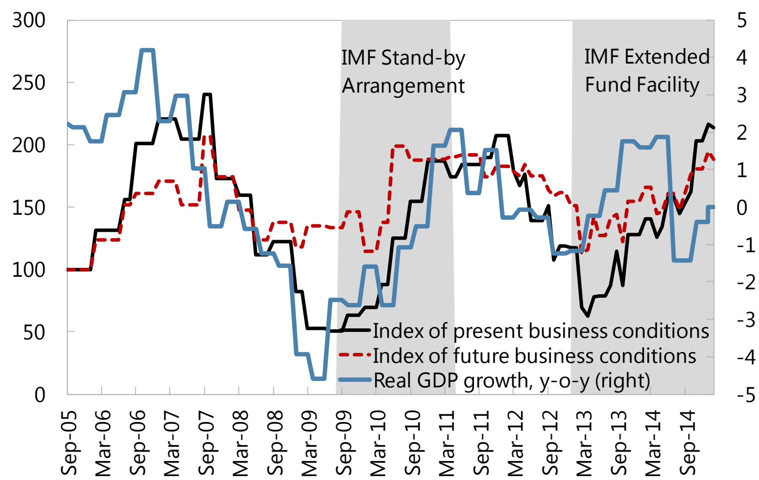
APPENDIX

AN IMPROVING MACROECONOMIC ENVIRONMENT

1. Economic growth is estimated at 0.2 percent in FY2014/15, lowered by the drag on agriculture due to last year's drought. Harvests have begun to pick up in the first quarter of 2015 and tourism continues to register solid growth (arrivals rose by 5 percent (y/y) in February 2015). Despite substantial job growth in manufacturing, unemployment remains too high and has edged up to 14.2 percent in January 2015 as growth in the labor force outpaced that of employment.

2. The outlook for investment and growth is improving. Growth is projected to approach 2 percent in 2015/16, as the full-year impact of lower oil prices and the bounce back from the drought materialize, with the latter expected to boost growth by ¾ percentage point. Business confidence continues to improve, reaching its highest level since 2007 in the first quarter of 2015, with a record share of firms expecting their financial health to improve during the year ahead. Consumer confidence has also strengthened. The government signed a US$625 million concession agreement in April 2015 with a private consortium to upgrade and expand the Kingston Container Terminal (KCT)—an important step in Jamaica's plan for an expansion of logistics.

Business Conditions and Real GDP Growth



Source: Bank of Jamaica.

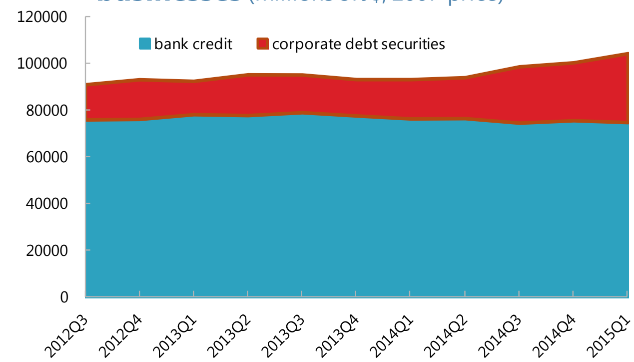
3. Lower oil prices have caused a faster-than-expected decline in inflation. Inflation dropped to 4 percent (y/y) in March 2015, reflecting lower fuel and electricity costs and moderating food prices. Inflation is expected to rise later this year once the lower oil prices have fed through, but would remain below 7 percent by end 2015/16.

4. With a weaker inflation outlook, the main policy interest rate has been lowered by 25 basis points—the first adjustment since February 2013. The Bank of Jamaica (BOJ) adjusted its 30-day deposit rate in April, to 5.5 percent, and the rates on its operations for providing liquidity have been lowered by 75 basis points, effectively narrowing the interest rate corridor by 50 basis points. Market rates have also declined (the 6-month T-bill rates dropped to 6.7 percent at end-May from 7.1 percent at end-2014). The real effective exchange rate has been broadly stable over the past year while the rate versus U.S. dollar depreciated about 5 percent (y/y by end-March 2015).

5. The current account continues to improve. The current account deficit shrank by 23 percent y/y during the last quarter of 2014, driven by a sharply lower oil import bill. Imports of capital goods have increased by 37 percent but remittances inflows have been buoyant (up 7 percent y/y in January) as prospects in the U.S. improve. Despite the drought, food imports fell by 4½ percent y/y in 2014 with some signs of a shift toward domestically produced goods. Net international reserves rose to US$ 2.4 billion by end-April 2015, comfortably above the projected program path.

6. Bank credit growth has been weak (Box 1). Commercial bank credit to the nonfinancial private business sector continued to be flat in real terms over the first quarter of 2015, although some increase in financing took place through the issuance of corporate bonds. Bank lending rates have fallen since the beginning of the year and Jamaica's sovereign bond spread (relative to the EM average) continues its trend downwards. Standard prudential indicators suggest the banks are sound, with NPLs and capital adequacy remaining stable. However, exposure to public sector debt remains high. Among the securities dealers, the level of repo liabilities to individual retail clients continues to fall.

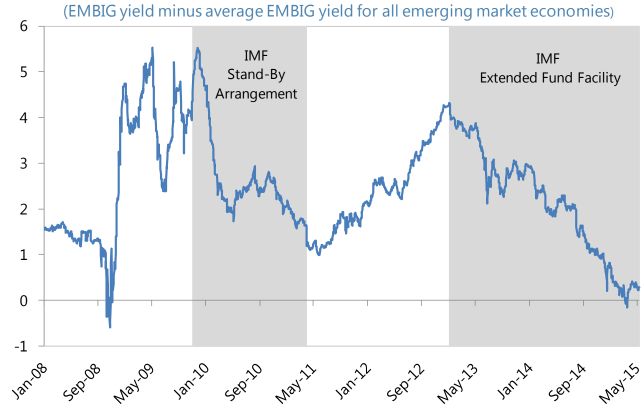
Real credit to non-financial private businesses (millions of J$; 2007 price)



*The stock of corporate debt securities is estimated from the data on new securities issuances, with average maturity assumed to be 2 years.
Sources: Bank of Jamaica, Financial Services Comission, and Fund staff estimates.

7. Risks to the program are receding but remain high. Despite the improved business and consumer sentiment, concrete evidence of a robust growth pickup is yet to be seen. Without a significant improvement in economic activity, social support for reform and the tight fiscal stance may falter. External financial flows could be affected by exogenous shocks (including from PetroCaribe[1] or volatility surrounding policy action by the Federal Reserve). The ongoing weakness in budget revenues could jeopardize the sustainability of the fiscal consolidation. The planned reform of the securities dealers, combined with a still-frozen domestic government bond market, creates risk to financial stability.

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



Source: Bloomberg.

[1] Country Report No. 15/95, Box 2, page 8.

PROGRAM IMPLEMENTATION REMAINS ON TRACK

8. All quantitative performance criteria (PCs) for end-March 2015 and continuous quantitative program targets were met, with the exception of the PC on the primary balance of the central government.

Jamaica: Program Monitoring—Quantitative Performance Criteria under EFF 1/2/
(In billions of Jamaican dollars)

	8th Review PC End-Mar. 2015	Adjusted PCs End-Mar.	End-Mar. Actual	Difference	PC Status End-Mar. 2015
Fiscal targets					
1. Primary balance of the central government (floor) 3/	121.0		117.2	-3.8	Not Met
2. Tax Revenues (floor) 3/8/	384.0		370.9	-13.1	Not Met
3. Overall balance of the public sector (floor) 3/	-11.6	-12.6	6.5	19.1	Met
4. Central government direct debt (ceiling) 3/4/	90.6		76.8	-13.8	Met
5. Central government guaranteed debt (ceiling) 3/	-1.8		-1.8	0.0	Met
5. Central government accumulation of domestic arrears (ceiling) 5/11/12/	0.0		0.0	0.0	Met
7. Central government accumulation of tax refund arrears (ceiling) 6/11/12/	0.0		-1.4	-1.4	Met
8. Consolidated government accumulation of external debt payment arrears (ceiling) 5/11/	0.0		0.0	0.0	Met
9. Social spending (floor) 8/9/	21.7		23.2	1.5	Met
Monetary targets					
10. Cumulative change in net international reserves (floor) 7/10/	529.4	352.3	1289.9	937.6	Met
11. Cumulative change in net domestic assets (ceiling) 10/	-55.1	-36.3	-139.9	-103.5	Met

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Based on program exchange rates defined in the March 2015 TMU.
3/ Cumulative flows from April 1.
4/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
5/ Includes debt payments, supplies and other committed spending as per contractual obligations.
6/ Includes tax refund arrears as stipulated by law.
7/ In millions of U.S. dollars.
8/ Indicative target.
9/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.
10/ Cumulative change from end-December 2013.
11/ Continuous performance criterion.
12/ Measured as the change in the stock of arrears relative to the stock at end-March 2014.

- Fiscal performance remained broadly in line with projections through end-March 2015, although the primary surplus of the central government for FY2014/15 fell short of the program floor by J$3.8 billion (0.2 percent of GDP). This underperformance occurred as estimates of economic growth and inflation—and hence the revenue base (see below)—were progressively reduced more than expected during the final part of 2014/15, and as recent tax reforms made it difficult to assess the seasonality of tax collection. However, the lower-than-projected nominal GDP growth means the primary surplus is, nonetheless, estimated at 7.5 percent of GDP—the main fiscal anchor of the program. The program target for the overall fiscal balance of the public sector was also comfortably met with interest costs falling and the public enterprises registering stronger surpluses.

- Tax revenue was below the end-March indicative floor, as a rebound in consumption taxes, excise duties on imports, and corporate taxes in March was unable to offset the accumulated shortfalls from previous months.[2] The underperformance can be explained by an erosion of the tax base as a result of lower imports, a more stable exchange rate, lower nominal GDP growth, and lower interest payments.

- Both net international reserves (NIR) and net domestic asset (NDA) significantly outperformed the program targets.

9. The timetable for structural reforms is proceeding broadly as envisaged:

- An entity-by-entity review of all firms that were grandfathered following the 2013 tax incentives legislation was completed in mid-March 2015 (albeit marginally later than the end-January target date). As an important next step, the authorities plan to assess the fiscal impact of the ongoing grandfathering of tax exemptions beyond 2020 (see MEFP ¶11).

- Legislation has been tabled in parliament to amend the property tax law, counter transfer pricing, and introduce a Minimum Business Tax.

- The government appointed a Chief Information Officer in March 2015 to lead the e-government initiative and the public sector IT strategy.

- Over the past year, the authorities added 30 auditors to the Large Taxpayer Office (LTO) and increased the number of (full plus issue) audits by 100 percent. All uncollectible GCT and SCT debt was written off. However, the associated structural benchmark was not met, because the increase in the take-up rate in e-filing and e-payment in the LTO fell short of the 95 percent target (80 percent of taxpayers are now filing and paying electronically, with the shortfall due to technology difficulties and the continued reliance on bank drafts for settling tax bills).

FISCAL POLICY CHALLENGES

10. The 2015/16 budget provides for an increase in outlays for health care and higher fuel taxes, while maintaining the ambitious primary surplus target of 7.5 percent of GDP. This very high primary surplus has put public debt on a steadily declining path that is now projected to reach 103.3 percent of GDP by 2020. To support attainment of their budget targets, the authorities have adopted a tax revenue package (that should yield 0.6 percent of GDP, mostly from higher fuel taxes) and are reforming the revenue administration. The budget continued to protect priority social spending (which is subject to a floor under the program). However, the large wage bill—which is not declining as rapidly as expected at the start of the program—put downward pressure on the room for public investment.

[2] The shortfall in tax revenue amounted to 0.6 percent of GDP, excluding the—budget neutral—accounting impact of extending the GCT to purchases by the central government rather than to the broader public sector as had been anticipated earlier.

11. Public sector reform is a key pillar of the fiscal consolidation effort over the medium term. The authorities aim to reduce the wage bill from a projected 9.9 percent of GDP in FY2015/16 to 9 percent of GDP in FY2016/17. To date, much of this lower spending has been driven by nominal wage freezes, and authorities aim to secure continued moderate wage increases in the context of the ongoing wage negotiations, mindful of the trade off with other spending priorities. There is, however, a need to refocus attention on modernizing the public sector and transitioning toward a smaller and more effective civil service.

12. The new tax package includes a broadening of the GCT base to electricity consumption and an increase in petroleum excise taxes (MEFP ¶10). Households' consumption of electricity—above a threshold of 350 kwH per month—is now subject to value added tax. At the same time, the specific excise tax on automotive fuels was raised by J$7 per liter. These measures should yield 0.4 percent of GDP in additional revenues. Part of the proceeds from this tax package have been allocated to an energy stabilization fund to both purchase a financial hedge against a future oil price increase and sponsor investments in climate-friendly energy projects. The authorities and staff concurred that it will be important to ensure a transparent design of the hedging instrument. Staff advised that the use of any resources from the financial hedge should be focused on mitigating the impact of higher oil prices on the poor and on enhancing fuel efficiency, rather than on stabilizing domestic fuel prices.

13. Raising tax revenues critically hinges on reinforcing Jamaica's revenue administration (MEFP ¶12). The authorities are implementing a National Compliance Plan, transitioning towards a more effective organizational structure for the revenue administration, strengthening their large-taxpayer office, automating operations, and creating monitorable productivity indicators (a structural benchmark).

14. The existing Export Free Zones will be replaced with Special Economic Zones (SEZs) by end-2015, to meet Jamaica's WTO obligations (MEFP ¶13). The SEZs could be a useful tool to attract new businesses to Jamaica, including in business process outsourcing, and to pilot improvements in the business environment (e.g. through better infrastructure and streamlined procedures). However, caution is warranted in offering tax incentives for firms within the SEZs, particularly since firms in these zones will also be active in the domestic economy which could undermine the tax base as the line between SEZ and non-SEZ firms becomes blurred. The authorities agreed to carefully limit the types of firms that can locate in an SEZ, to limit tax incentives, and prevent ministerial discretion in the offering of any such incentives (a new structural benchmark is proposed on the design of the SEZs).

15. Better public financial management will increase efficiency in the use of budgetary resources (MEFP ¶14–16). The authorities, assisted by an FAD long-term advisor, are charting out a plan to improve procurement and bring all government agencies into the Treasury Single Account. They are also improving cash planning, including by establishing a Cash Management Unit. In parallel, the Accountant General Department is modernizing and refocusing on treasury as its core function while expanding the automation of work processes. Following last year's bond issuance to prefinance the government debt that falls due during the summer of 2015, and in line with the new

Medium-Term Debt Strategy (MEFP, ¶16), the authorities expect to re-access international capital markets later in the year.

FINE-TUNING MONETARY CONDITIONS

16. The decline in inflation and inflation expectations and the improved external position have opened some scope for a gradual loosening of monetary policy, contingent on meeting the goals for inflation and reserve adequacy. Since early last year the BoJ has been injecting liquidity into the financial system, and the recent step to lower rates on the provision of BoJ's liquidity should further support private credit. The staff welcomed these interest reductions and concurred with the authorities that there could be scope for further policy adjustments in the months ahead but monetary policy decisions would need to remain consistent with price stability and the need to further accumulate reserves. This calls for careful monitoring of the impact of the recent interest adjustment and possible further adjustments in the policy stance. Staff noted that the recent narrowing of the interest rate corridor would provide clearer guidance for market rates and help shift from quantity to price-based monetary management.

17. Reforms to strengthen monetary management are moving ahead. In the near term, these efforts focus on refining monetary policy operations through the introduction of auctions for periodic repo operations and strengthening the instruments that anchor the interest-rate corridor. The authorities are also exploring options to re-liquefy the secondary domestic bond market. By end-2015, the first annual report will be published on the BOJ's readiness to move to an inflation targeting framework.

18. Continued exchange rate flexibility is essential for competitiveness and growth. Preliminary analysis based on the Fund's EBA-lite and CGER models does not offer clear evidence of either over- or undervaluation, after two years of exchange rate adjustment and an important current-account adjustment (Box 2). However, the ongoing inflation differential with trade partners and the potential risks to competitiveness from an upswing in oil prices call for continued nominal exchange rate depreciation, particularly versus the U.S. dollar. The central bank should also continue purchasing international reserves to provide insurance against external risks (related to PetroCaribe inflows and the imminent U.S. monetary tightening), particularly since reserves fall short of the Fund's metric for reserve adequacy. There was broad agreement on the need to replace, over time, borrowed reserves with owned reserves.

A CRITICAL JUNCTURE FOR FINANCIAL REFORM

19. Timely implementation of the envisaged reforms of the securities dealers sector will help safeguard financial sector stability (MEFP ¶22). Securities dealers finance long-term government bonds with short-term, deposit-like investments ("retail repos"). To limit the risks inherent in this business model, by end-August 2015 repo transactions are expected to move to a trust structure (structural benchmark). This will protect retail client interests by ensuring that the underlying securities are held safely and can be unwound in an orderly way in case a securities dealer defaults. In addition, prudential standards are being tightened to encourage a gradual shift away from repo instruments toward Collective Investment Schemes (CIS) such as unit trusts.

20. The regulatory framework for addressing financial sector risks is being improved (MEFP ¶19–21). The Banking Services Act was adopted in June 2014 and implementing regulations should be adopted by end-September 2015 (structural benchmark). Legislative amendments will also be submitted to parliament by end-July to give the BoJ overall responsibility for financial stability. The authorities are preparing proposals to enhance the BoJ's governance and autonomy, taking into account the findings of the IMF's Safeguards Assessment.

GROWTH-ENHANCING STRUCTURAL REFORMS

21. Further improvement in the business environment is crucial for enhancing competitiveness and promoting investment. The Government of Jamaica presented its first Growth Agenda Policy Paper to parliament this March, detailing a strategy to strengthen accountability of the various agencies that are responsible for its implementation (MEFP ¶25). An important component is the elimination of bureaucratic barriers to doing business. In this context, the authorities are planning to streamline the development application process and install an online system for business registration (to reduce the turnaround time for business registration). There are also plans to accelerate land registration.

22. Better access to credit will support private investment. The lack of access to financing constrains private sector investment (see Box 1), especially for small and medium-sized enterprises. To ease this constraint, the authorities have established credit bureaus and a collateral registry. There has also been growth in corporate bond and equity financing. Next steps to facilitate market development could include facilitating mobile banking and the acceptance of movable property as collateral. Furthermore, it will be important to augment the available data on nonbank credit, to support market analysis.

23. Electricity sector reforms are on track to secure a sustainable reduction in energy costs. The Electricity Act, which is expected to become effective in June 2015, clarifies the roles and responsibilities of the main entities in the sector. An energy diversification strategy is being implemented and the conversion of the 115 MW Bogue power plant from diesel to LNG is expected to be completed by early 2016. A new 190 MW LNG-based power plant is planned and one or two co-generation plants are being prepared jointly with the bauxite industry. In addition, three renewable energy projects—with a combined generation capacity of 78 MW—are under construction. Efforts are underway to simplify the process for businesses and households to receive an electricity connection.

24. Private sector participation in strategic investment projects will be critical to delivering much needed infrastructure. Jamaica is now ranked eight (out of 19 countries) in the Inter-American Development Bank's Infrascope Index (which measures the capacity for public-private partnership in Latin American countries). The improved ranking signals Jamaica's increasing experience and readiness in mobilizing private sector resources for infrastructure investment. In addition to the ongoing North-South Highway project and the recent concession for the Kingston Container Terminal, the government has shortlisted five bidders for the privatization of the international airport (a preferred bidder is expected to be selected in November). Jamaica is also working to adopt and implement a new Customs Act as well as new electronic systems to expedite customs clearance.

25. Social protection programs continue to receive high priority. The authorities have established a National Social Protection Committee to oversee the implementation of their Social Protection Strategy, which was launched in July 2014. The implementation of a strategy to graduate beneficiaries of PATH, the flagship conditional cash transfer program, is expected to commence in mid-2015 in conjunction with the Steps-to-Work program.

PROGRAM ISSUES

26. Additional program conditions are proposed to cover the coming 12-month period. Performance criteria for end-March 2016 are being proposed, as well as minor amendments to the performance criteria for June, September, and December 2015 for NIR and NDA (an accounting change to reflect a new start date for the calculations) and the overall balance of the public sector and central government guaranteed debt (to reflect updated budget projections), as well as a temporary accommodation under the central government direct debt ceiling (to allow for pre-financing of the maturities falling due by the end of the fiscal year). Furthermore, a new structural benchmark is proposed, to submit by October 2015 legislation for a tax regime for the Special Economic Zones that is supportive of new economic activity but does not create risks to tax administration or revenue collection.

27. The program remains fully financed and staff's assessment of Jamaica's capacity to repay the Fund remains broadly unchanged from the last review (Tables 5 and 11). This capacity is deemed adequate, and will continue to depend on the timely and strong implementation of the government's ambitious reform program. Financing for the 2015/16 fiscal year from other IFIs is expected to be in line with, or somewhat above, the commitments made at the start of the program. Debt service to the Fund and the purchase profile remain unchanged in the absence of significant revisions to the macroeconomic outlook.

STAFF APPRAISAL

28. Halfway into the authorities' four-year reform program, economic activity is slowly rebounding amid a favorable external environment and a pickup in agriculture. Lower oil prices have improved the current account, and, in combination with prudent monetary policy, reduced inflation to its lowest point in nearly fifty years. Tourism and remittance flows are strengthening and food production increased last year—despite a serious drought. There are nascent signs that imports are being replaced by domestic production as competitiveness improves. Growth and employment prospects should continue on an upward trajectory.

29. Proactive implementation of the authorities' growth strategy will be critical to improve economic opportunities. To foster sustainably lower electricity costs, scheduled investments in new power plants need to proceed without delay. To deepen financial inclusion and lift financing constraints on private investment, it is necessary to improve access to capital by SMEs and accelerate the drive for a better land registration system. Trade facilitation measures and the progressive removal of red tape will, over time, attract new investors in a range of industries.

30. Safeguarding the hard-earned gains in competitiveness will be critical in an uncertain global environment. The increased flexibility in exchange rate has been instrumental in improving competitiveness and strengthening the external position. Continued exchange rate depreciation remains necessary given the ongoing inflation differential with trading partners, the risks to competitiveness from a possible upswing in oil prices, and the recent strengthening of the US dollar.

31. Monetary conditions should be calibrated to support the expansion of private sector credit and economic growth, while moving permanently to a low inflation environment. With inflation on a credible downward medium-term path, the shift to a more accommodative monetary policy stance is justified. At the same time, the scope for further monetary policy support hinges, in particular, on the response of international financial flows, given the importance of bolstering non-borrowed reserves. Over time, steps should be taken to move the BOJ's operating framework toward inflation targeting in the context of a fully flexible exchange rate.

32. Strengthening the financial sector remains essential for stability. The transition of retail repos to a trust is progressing towards its finalization by August, and should make this instrument more secure and transparent. In parallel, the BoJ's responsibilities for financial stability, along with its governance and autonomy, need to be strengthened. Options for reliquifying the domestic government bond market should be explored once the planned safeguards for financial market stability have been put in place.

33. The authorities should aim to continue to protect social spending while targeting the ambitious primary surplus. The central government's primary surplus target of 7.5 percent of GDP serves to boost confidence and maintain public debt on a sustainable downward path.

34. Fundamental reform to bolster tax compliance and to constrain the growth of current spending will be critical for fiscal sustainability. The adoption of a tax revenue package in the 2015/16 budget, particularly the judicious increase in energy taxes, was an important step to augment fiscal revenue. The focus in the months ahead should be firmly on tax compliance and improvements in administration. It will be particularly important that these efforts are not undercut by tax concessions linked to the Special Economic Zones. The authorities should redouble their efforts to secure a sustainable reduction in the public sector wage bill through fundamental civil service reform. Improvements in public financial management are important to raise the efficiency of public spending.

35. Risks remain high, but the authorities' continued strong commitment and tremendous program implementation bodes well for shifting the Jamaican economy onto a new trajectory of higher growth, greater job creation, improving social welfare, and sustainable debt. Furthermore, domestic stakeholders remain supportive of fundamental reform with the Economic Programme Oversight Committee (EPOC) continuing to play an important strategic role in monitoring and supporting program implementation. The breach of the primary fiscal surplus target was minor, and corrective action has been adopted. Staff therefore supports the authorities' request for completion of the eighth review of the arrangement under the Extended Fund Facility, the modification of performance criteria for end-June 2015, end-September 2015 and end-December 2015, the proposed establishment of end-March 2016 performance criteria, and a waiver for the nonobservance of the performance criterion on the primary surplus of the central government for end-March 2015. The waiver is justified by both the minor magnitude of the deviation and the corrective actions taken.

Box 1. Supply and Demand of Bank Credit in Jamaica

Bank credit to the private sector in Jamaica has stagnated. At around 30 percent of GDP, bank credit to the private sector is well below the level that would correspond to Jamaica's income and demographics. Bank credit growth has been slow in the past year, averaging 0.4 percent (y/y) in real terms during 2014. Banks are the main providers of private sector credit but nonbank credit has been growing in recent years.

Various structural factors have contributed to the slow growth of bank credit. On the supply side, government crowding-out has historically led to under-development of financial services to the private sector, and banks' lending portfolios are concentrated in established clients. On the demand side, sluggish real GDP and income growth may have constrained the appetite for bank borrowing to finance new investment. Pervasive informality in the private sector also limits the ability of individuals and companies to seek funding through the formal banking system.

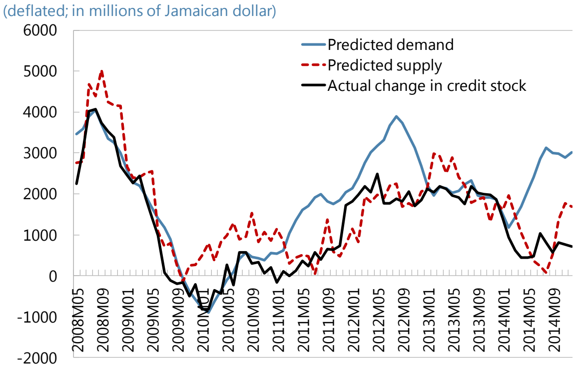
Bank credit supply and demand are affected by different macroeconomic and financial variables. Using data from 2008 to 2014, an econometric model jointly estimates the supply and demand of credit to the private sector:

- *Credit demand is largely determined by macroeconomic fundamentals.* Credit demand is positively affected by growth prospects (proxied by tourism arrivals and business confidence). Higher US growth also has a positive influence on credit demand while higher real interest rates lower the demand for credit.

- *Credit supply is affected largely by liquidity conditions.* Credit supply responds favorably to deposit growth but has been held down by higher NPLs and by the recent debt exchanges. Increases in banks' exposure to the public sector and mounting liquidity pressure (approximated by a higher interbank borrowing rate) also depress the supply of private credit.

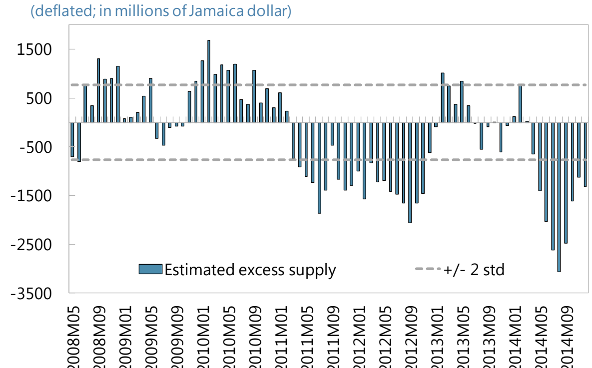
Supply constraints appear to matter more in explaining the recent slow growth of bank credit. There have been statistically significant supply constraints since early 2014, likely due to inadequate liquidity in the banking system. These constraints appear to have eased in recent months as the BOJ injected liquidity through repo instruments and standing liquidity facilities.

Demand and Supply of Credit
(deflated; in millions of Jamaican dollar)



Sources: BoJ and IMF staff estimates

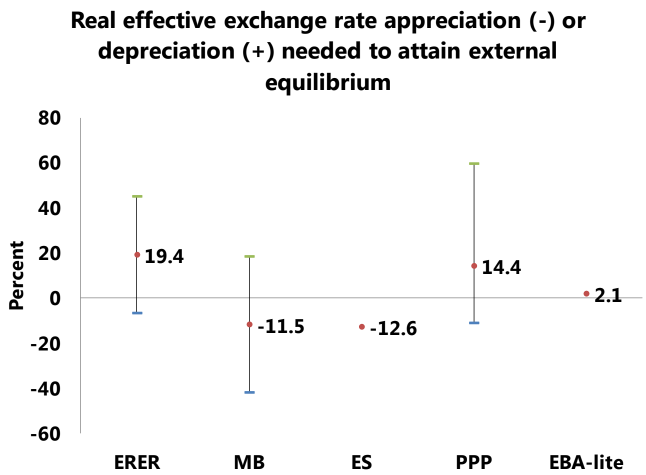
Excess Credit Supply
(deflated; in millions of Jamaica dollar)



Source: IMF staff estimates

Box 2. 2015 Exchange Rate Assessment for Jamaica

The preliminary results of the exchange rate assessment for Jamaica using the Fund's CEGR and External Balance Assessment (EBA)-lite methodologies do not offer clear evidence of a misaligned real effective exchange rate (REER).



Source: Fund staff estimates.

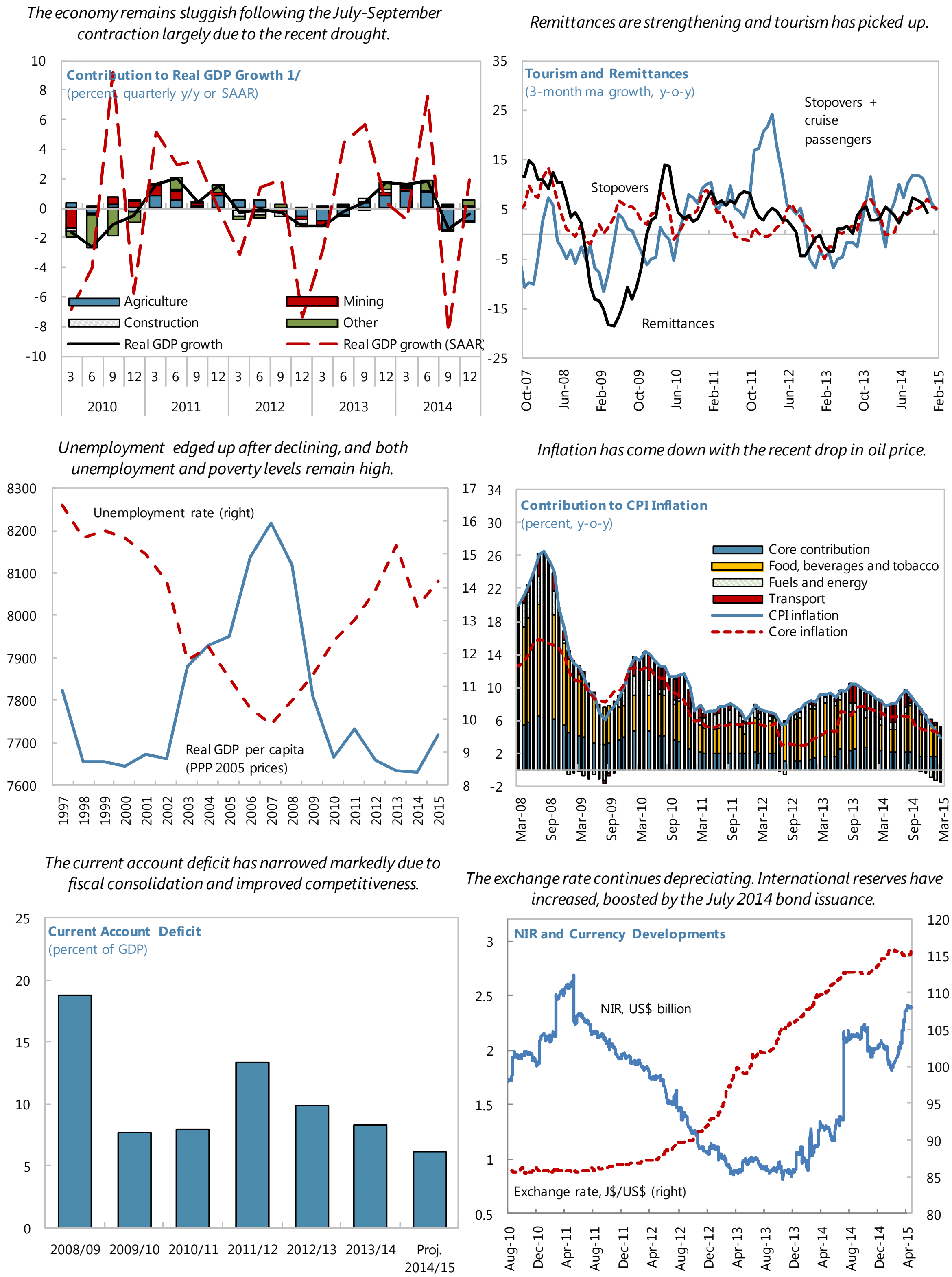
The macroeconomic balance (MB) and the external sustainability (ES) approaches suggest that the REER is undervalued while the equilibrium real exchange rate (ERER) and the purchasing power parity (PPP) approaches point to some remaining overvaluation. A key assumption for the MB and ES estimates is that oil prices will recover only gradually and partially from their recent decline, thereby supporting the projected improvement in the current account balance. The confidence intervals are very large for all the estimates and, statistically, zero misalignment cannot be rejected. The results of the EBA-lite methodology, which estimates the gap between the current account balance and its norm for 2015, suggest a slight overvaluation.

	Current Account/GDP			2015 REER Over (+)/Under (-)	2014 REER Over (+)/Under (-)	May 2013 Assessment Over (+)/Under (-)
	Norm	Underlying	Elasticity	Valuation	Valuation	Valuation
CGER-type methodologies						
Macroeconomic balance	-5.5	-3.4	-0.18	-11.5	3.1	8.8
External sustainability	-5.7	-3.4	-0.18	-12.6	3.0	11.3
Equilibrium real exchange rate	N.A.	N.A.	N.A.	19.4	15.1	21.9
Purchasing power parity	N.A.	N.A.	N.A.	14.4		
Average REER Over(+)/Under (-)				2.4	7.1	14.0
EBA-lite methodology	-4.7	-5.0	-0.18	2.1	N.A.	N.A.

Source: Fund staff estimates.

The results from applying the IMF metric for Assessing Reserve Adequacy show that Jamaica's level of international reserves, at 80.4 percent of benchmark in 2015, is still significantly below the suggested adequacy range of between 100 and 150 percent, pointing to the need for continued exchange rate flexibility.

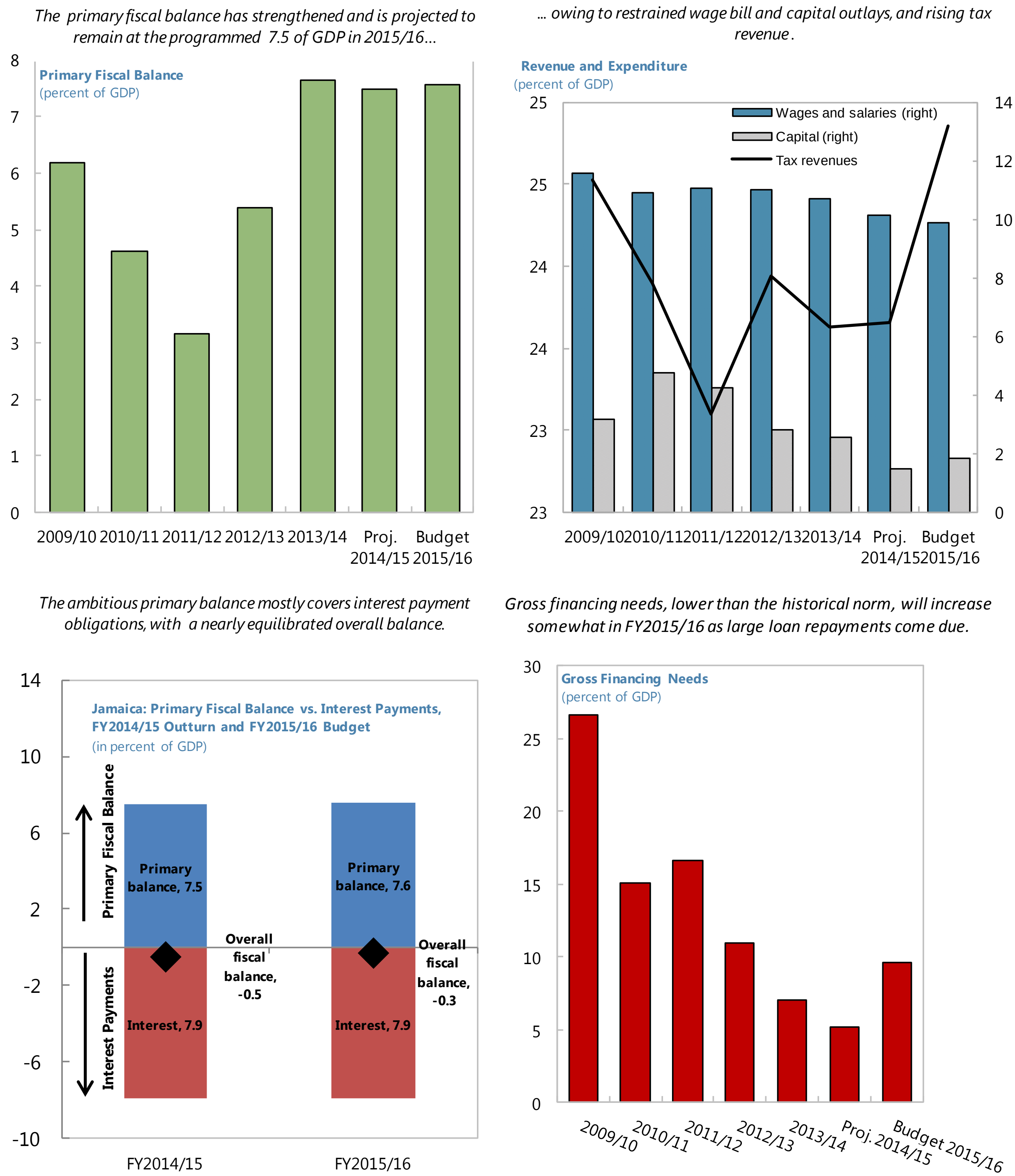
Figure 1. Jamaica: Macroeconomic Developments



Sources: Bank of Jamaica; and Fund staff calculations.

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

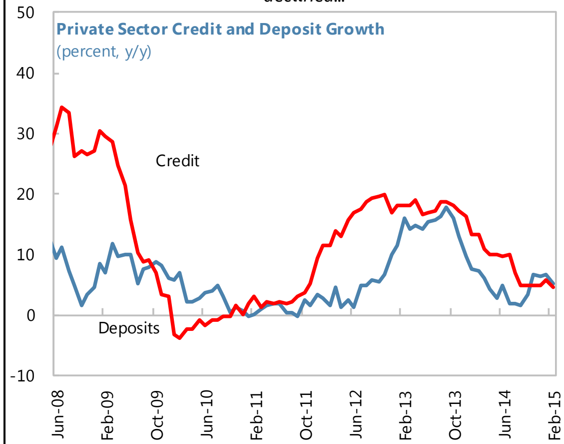
Figure 2. Jamaica: Fiscal Developments



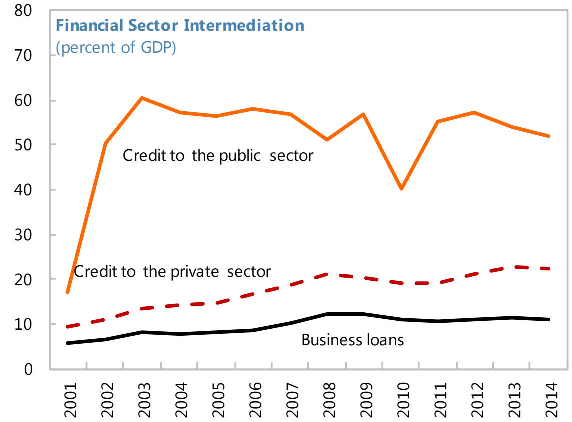
Sources: Ministry of Finance; and Fund staff calculations.

Figure 3. Jamaica: Financial Sector Developments

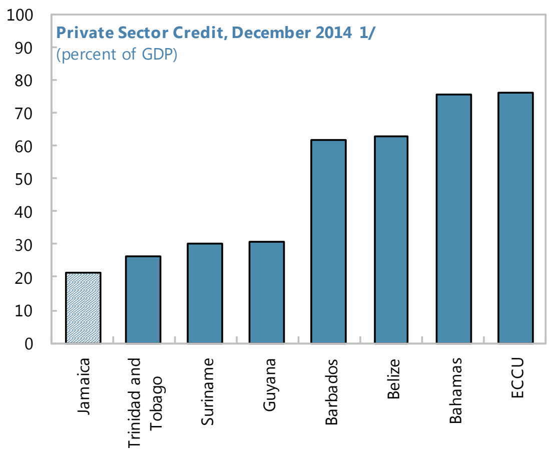
Growth of both bank deposits and bank credit has declined…



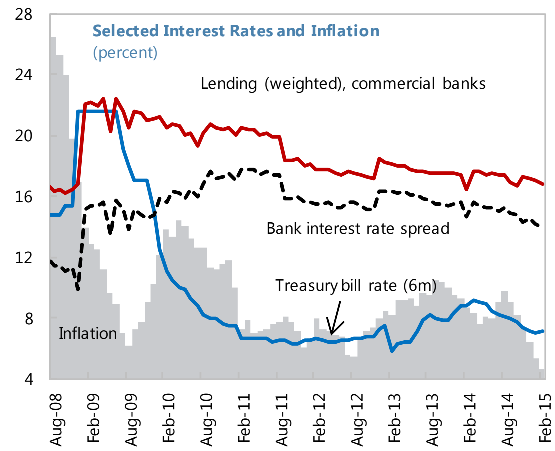
…and the level of bank credit to the private sector remains low…



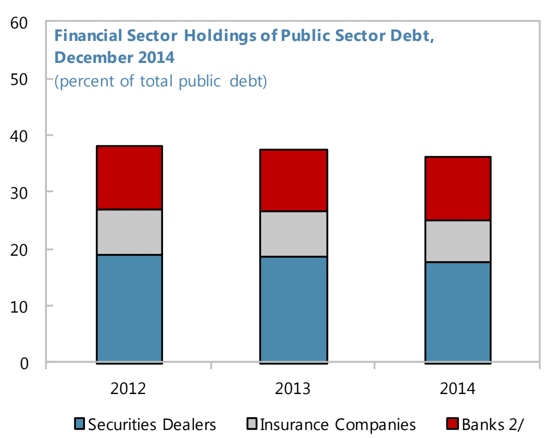
… including by regional standards.



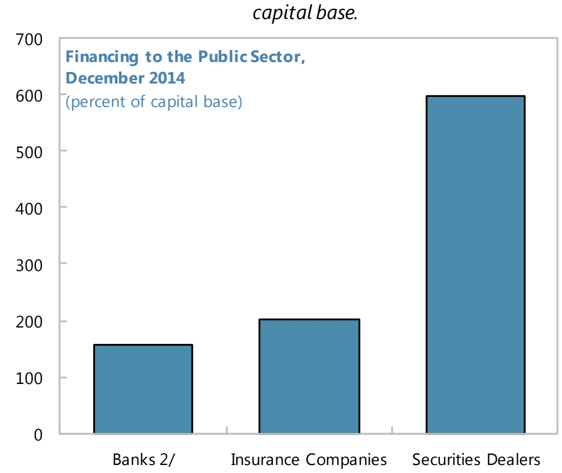
Interest rates remain high, but have stabilized in recent months.



The financial sector still holds over 35 percent of public debt…



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

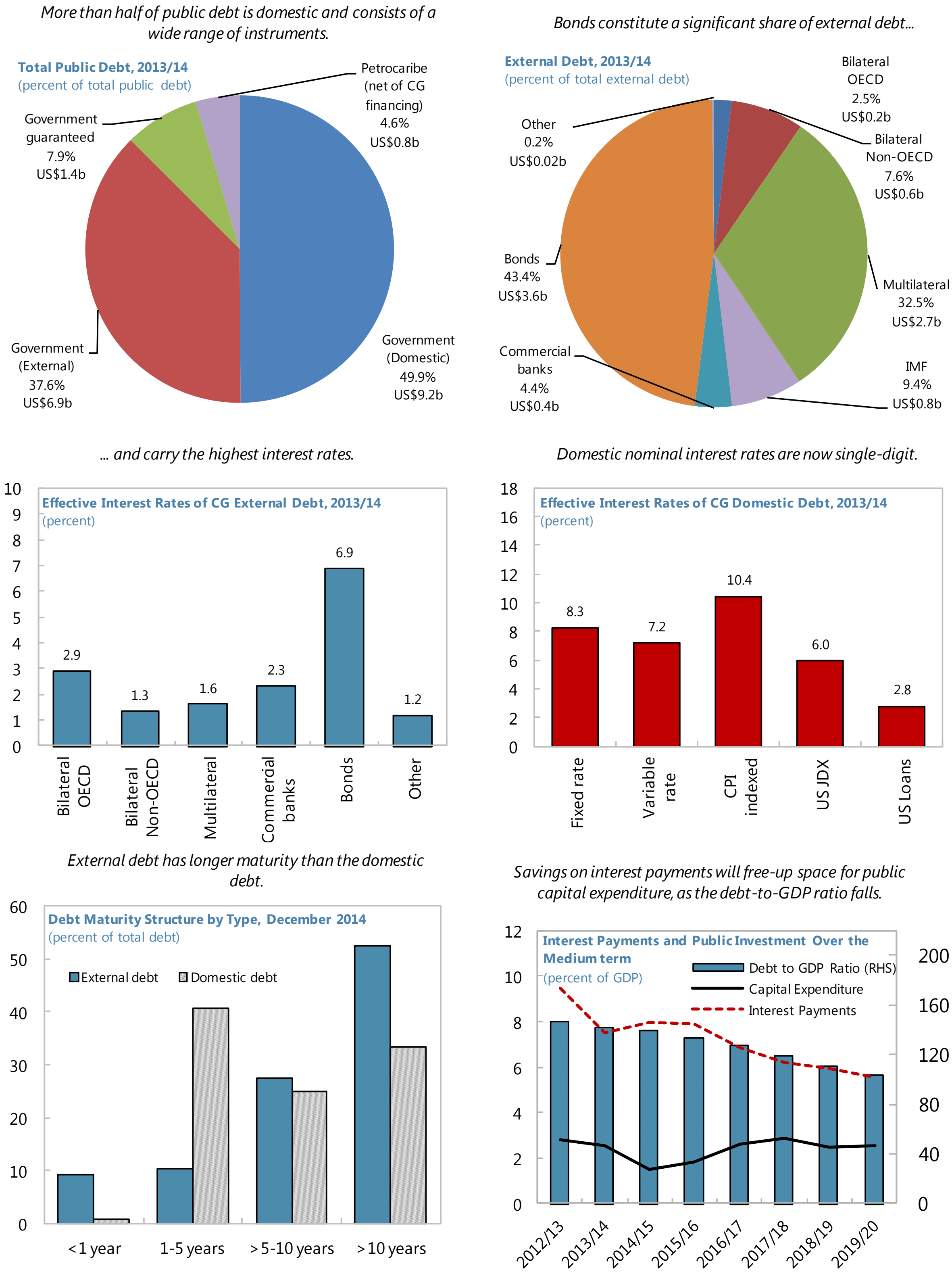


Sources: Bank of Jamaica; and Fund staff calculations.

1/ Latest available data.

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

Figure 4. Jamaica: Public Debt



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

Table 1. Jamaica: Selected Economic Indicators 1/

Population (2013): 2.8 million
Quota (current; millions SDRs/% of total): 273.5/0.11%
Main products: Alumina, tourism, chemicals, mineral fuels, bauxite, coffee, sugar

Per capita GDP (2013): US$5048
Literacy rate (2011)/Poverty rate (2012): 86.4%/19.9%
Unemployment rate (Jan. 2015): 14.2%

		Prel.	Prog.	Prel.	Prog.	Projections					
	2012/13	2013/14	2014/15	2014/15	2015/16	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
(Annual percent change, unless otherwise indicated)											
GDP and prices											
Real GDP	-0.7	0.9	0.4	0.2	2.1	1.9	2.3	2.5	2.7	2.7	2.7
Nominal GDP	6.2	8.9	7.8	7.4	7.5	6.9	9.3	9.8	9.6	9.1	8.9
Consumer price index (end of period)	9.1	8.3	4.7	4.0	7.0	6.5	7.3	7.0	6.5	6.0	6.0
Consumer price index (average)	7.2	9.4	7.3	7.2	5.3	4.9	6.9	7.1	6.8	6.3	6.0
Exchange rate (end of period, J$/US$)	98.9	109.6	...	115.0	...	...	...	...	...	...	...
Exchange rate (average, J$/US$)	91.2	103.9	...	113.1	...	...	...	...	...	...	...
Nominal depreciation (+), end-of-period	13.3	10.8	...	5.0	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	-2.2	-4.8	...	-0.4	...	...	...	...	...	...	...
End-of-period REER (appreciation +) (new methodology) 2/	-3.4	-4.3	...	...	...	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	6.2	9.1	...	7.0	...	...	...	...	...	...	...
Treasury bill rate (average, percent)	6.6	7.9	...	7.8	...	...	...	...	...	...	...
Unemployment rate (percent) 3/	14.5	13.4	...	...	...	...	...	...	...	...	...
(In percent of GDP)											
Government operations											
Budgetary revenue	25.7	27.2	26.6	26.3	27.1	27.3	26.9	26.5	25.8	25.8	25.7
Of which: Tax revenue 4/	23.9	23.6	24.0	23.7	24.6	24.9	24.7	24.7	24.7	24.7	24.7
Budgetary expenditure	29.8	27.1	27.0	26.7	27.3	27.7	26.3	25.7	24.7	24.3	23.5
Primary expenditure	20.3	19.5	18.9	18.8	19.6	19.8	19.4	19.5	18.8	18.8	18.7
Of which: Wage bill	11.0	10.7	10.1	10.1	9.8	9.9	9.0	9.0	9.0	9.0	9.0
Interest payments	9.5	7.5	8.2	7.9	7.7	7.9	6.8	6.2	5.9	5.6	4.8
Budget balance	-4.1	0.1	-0.4	-0.5	-0.2	-0.3	0.7	0.8	1.1	1.4	2.2
Of which: Central government primary balance	5.4	7.7	7.7	7.5	7.5	7.6	7.5	7.0	7.0	7.0	7.0
Public entities balance	0.1	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-4.2	0.1	-0.4	0.4	-0.2	-0.3	0.7	0.8	1.1	1.4	2.2
Public debt 5/	146.5	141.6	140.5	136.9	132.5	133.0	126.8	119.3	111.0	103.3	95.4
External sector											
Current account balance	-9.9	-8.4	-5.3	-6.1	-3.9	-5.0	-4.6	-4.2	-3.7	-3.6	-3.5
Of which: Exports of goods, f.o.b.	11.9	10.7	10.2	10.3	10.2	10.2	10.5	10.5	10.5	10.6	10.7
Imports of goods, f.o.b.	38.7	37.6	35.3	35.7	33.9	34.5	34.7	34.1	33.1	32.3	31.5
Net international reserves (US$ millions)	884	1,304	1,884	2,335	1,824	1,825	1,904	2,058	2,163	2,332	2,362
NIR (excl. prefinanced repayments of maturing bonds)	...	...	1,585	2,036	1,772	1,772	1,904	2,058	2,163	2,332	2,362
(Changes in percent of beginning of period broad money)											
Money and credit											
Net foreign assets	-13.5	18.7	20.3	28.6	3.1	-5.6	5.6	6.2	4.8	6.0	3.4
Net domestic assets	26.8	-12.6	-14.6	-23.1	4.4	12.4	3.7	3.6	4.9	3.2	8.3
Of which: Credit to the private sector	13.0	8.2	4.0	3.1	11.1	9.6	10.3	9.1	11.4	11.4	10.7
Credit to the central government	5.2	-3.1	-4.2	-11.1	7.1	2.9	-1.3	0.4	-0.2	-0.4	0.4
Broad money	13.3	6.1	5.7	5.5	7.5	6.7	9.3	9.8	9.6	9.1	11.7
Memorandum item:											
Nominal GDP (J$ billions)	1,340	1,459	1,573	1,568	1,691	1,676	1,833	2,012	2,206	2,408	2,621

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

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.
2/ The new methodology uses trade weights for Jamaica that also incorporate trade in services especially tourism.
3/ As of January 31.
4/ in 2014/15, reflects the extension of the CGT to government purchases, with projected total yield of 0.2 percent of GDP at the time of the sixth review. and updated projected total yield of 0.1 percent of GDP.
5/ Central government direct and guaranteed only, including PetroCaribe debt (net of its financing to the central government) and projected IMF disbursements and other IFIs.

Table 2. Jamaica: Summary of Central Government Operations

(In millions of Jamaican dollars)

	2012/13	2013/14	Prog. 2014/15	Prel. 2014/15	Prog. 2015/16	Projections 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Budgetary revenue and grants	344,668	396,982	417,826	411,716	458,101	458,101	493,754	533,176	569,275	620,084	673,482
Tax	320,929	344,848	377,895	370,878	416,662	416,662	452,049	496,206	544,359	593,704	646,390
Of which:											
Income and profits	115,877	112,648	124,102	120,854	131,119	129,867	136,436	149,870	167,320	183,240	198,458
Of which: Other companies	35,798	35,155	41,465	35,903	44,578	42,657	45,340	50,781	55,672	60,749	66,132
PAYE	60,876	62,811	66,595	67,818	70,753	71,333	75,211	82,584	90,539	98,795	107,550
Production and consumption	96,460	115,214	124,030	120,421	138,058	132,830	146,971	163,509	179,259	196,732	217,165
Of which: GCT (Local) 1/	50,897	61,265	66,783	63,995	77,700	70,551	79,064	88,985	97,557	107,517	119,972
International Trade	105,306	113,892	127,411	127,238	137,800	146,074	156,466	169,796	183,857	198,903	215,010
Of which: GCT (Imports) 1/	45,501	51,238	58,763	58,471	63,171	66,102	73,211	81,996	90,793	100,063	110,020
Non-tax	19,799	41,705	35,386	35,821	31,900	31,900	35,489	30,345	19,998	21,131	21,504
Grants	3,940	10,429	4,545	5,018	9,539	9,539	6,216	6,625	4,918	5,249	5,588
	361,521	358,253									
Budgetary expenditure	399,279	395,242	424,887	418,987	461,892	463,645	481,400	517,538	545,322	585,646	616,959
Primary expenditure	272,341	285,322	296,491	294,474	331,374	331,374	356,292	392,301	414,831	451,557	490,019
Wage and salaries	147,382	156,362	158,759	158,759	165,229	165,229	164,954	181,125	198,571	216,678	235,880
Programme expenditure 2/	87,202	91,972	111,925	112,697	135,735	135,735	143,902	154,076	161,468	173,785	186,564
Capital expenditure 2/	37,758	36,989	25,808	23,019	30,409	30,409	47,436	57,101	54,792	61,094	67,575
Interest	126,938	109,919	128,396	124,513	130,519	132,271	125,108	125,236	130,491	134,089	126,940
Domestic	87,729	68,729	76,447	76,759	74,343	77,099	69,736	72,283	73,576	73,142	73,040
External	39,209	41,191	51,949	48,461	56,176	55,171	55,372	52,954	56,915	60,947	53,900
Budget balance	-54,610	1,740	-7,061	-7,271	-3,791	-5,543	12,354	15,638	23,953	34,438	56,523
Of which: Primary budget balance	72,327	111,659	121,335	117,242	126,728	126,727	137,462	140,875	154,444	168,527	183,462
Public entities balance	1,905	106	0	13,749	0	0	0	0	0	0	0
Public sector balance	-55,661	859	-6,707	6,479	-3,191	-5,543	12,354	15,638	23,953	34,438	56,523
Principal repayments	88,681	104,122	73,397	73,259	158,707	156,626	60,168	226,300	171,501	209,071	261,841
Domestic	36,976	75,695	11,253	11,245	70,988	70,490	9,593	89,606	84,535	118,721	184,849
External	51,705	28,427	62,144	62,015	87,719	86,136	50,575	136,694	86,966	90,349	76,992
Gross financing needs	146,248	103,368	80,104	80,530	161,898	161,570	47,814	210,661	147,548	174,632	205,318
Gross financing sources	146,248	103,368	80,104	80,530	161,898	161,570	47,814	210,661	147,548	174,632	205,318
Domestic	137,073	52,211	32,177	28,266	6,929	13,002	15,405	81,155	56,239	77,880	173,342
External	9,175	57,619	129,754	130,512	66,990	65,781	29,856	135,938	91,030	96,317	31,976
Of which: Official	9,175	57,619	39,112	40,059	36,534	35,875	29,856	36,795	48,563	53,539	31,976
Divestment + deposit drawdown	0	-6,462	-81,827	-78,249	87,980	82,787	2,553	-6,431	279	435	0
Memorandum items:											
Nominal GDP (billion J$)	1,340	1,459	1,573	1,568	1,691	1,676	1,833	2,012	2,206	2,408	2,621
Public sector debt (billion J$)	1,964	2,067	2,210	2,147	2,240	2,229	2,324	2,401	2,448	2,486	2,502
Of which: Direct debt	1,678	1,812	1,946	1,923	1,990	1,969	2,061	2,119	2,151	2,166	2,158

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ in 2014/15, reflects the extension of the CGT to government purchases, with projected total yield of J$3.1 billion at the time of the sixth review and updated to a projected yield of J$1.4 billion.
2/ in 2014/15, projections reflect a reclassification of J$8.8 billion from capital outlays to programme expenditures.

Table 3. Jamaica: Summary of Central Government Operations

(In percent of GDP)

			Prog.	Prel.	Prog.	Projections					
	2012/13	2013/14	2014/15	2014/15	2015/16	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Budgetary revenue and grants	25.7	27.2	26.4	26.3	27.1	27.3	26.9	26.5	25.8	25.8	25.7
Tax	23.9	23.6	23.6	23.7	24.6	24.9	24.7	24.7	24.7	24.7	24.7
Of which:											
Income and profits	8.6	7.7	7.7	7.7	7.8	7.7	7.4	7.4	7.6	7.6	7.6
Of which: Other companies	2.7	2.4	2.6	2.3	2.6	2.5	2.5	2.5	2.5	2.5	2.5
PAYE	4.5	4.3	4.1	4.3	4.2	4.3	4.1	4.1	4.1	4.1	4.1
Production and consumption	7.2	7.9	7.8	7.7	8.2	7.9	8.0	8.1	8.1	8.2	8.3
Of which: GCT (Local) 1/	3.8	4.2	4.2	4.1	4.6	4.2	4.3	4.4	4.4	4.5	4.6
International Trade	7.9	7.8	7.9	8.1	8.1	8.7	8.5	8.4	8.3	8.3	8.2
Of which: GCT (Imports) 1/	3.4	3.5	3.6	3.7	3.7	3.9	4.0	4.1	4.1	4.2	4.2
Non-tax	1.5	2.9	2.3	2.3	1.9	1.9	1.9	1.5	0.9	0.9	0.8
Grants	0.3	0.7	0.5	0.3	0.6	0.6	0.3	0.3	0.2	0.2	0.2
Budgetary expenditure	29.8	27.1	27.0	26.7	27.3	27.7	26.3	25.7	24.7	24.3	23.5
Primary expenditure	20.3	19.5	18.9	18.8	19.6	19.8	19.4	19.5	18.8	18.8	18.7
Wage and salaries	11.0	10.7	10.0	10.1	9.8	9.9	9.0	9.0	9.0	9.0	9.0
Programme expenditure 2/	6.5	6.3	6.9	7.2	8.0	8.1	7.9	7.7	7.3	7.2	7.1
Capital expenditure 2/	2.8	2.5	2.0	1.5	1.8	1.8	2.6	2.8	2.5	2.5	2.6
Interest	9.5	7.5	8.1	7.9	7.7	7.9	6.8	6.2	5.9	5.6	4.8
Domestic	6.5	4.7	4.9	4.9	4.4	4.6	3.8	3.6	3.3	3.0	2.8
External	2.9	2.8	3.2	3.1	3.3	3.3	3.0	2.6	2.6	2.5	2.1
Budget balance	-4.1	0.1	-0.5	-0.5	-0.2	-0.3	0.7	0.8	1.1	1.4	2.2
Of which: Primary budget balance	5.4	7.7	7.6	7.5	7.5	7.6	7.5	7.0	7.0	7.0	7.0
Public entities balance	0.1	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	-4.2	0.1	-0.6	0.4	-0.2	-0.3	0.7	0.8	1.1	1.4	2.2
Principal repayments	6.6	7.1	4.5	4.7	9.4	9.3	3.3	11.2	7.8	8.7	10.0
Domestic	2.8	5.2	0.5	0.7	4.2	4.2	0.5	4.5	3.8	4.9	7.1
External	3.9	1.9	3.9	4.0	5.2	5.1	2.8	6.8	3.9	3.8	2.9
Gross financing needs	10.9	7.1	5.0	5.1	9.6	9.6	2.6	10.5	6.7	7.3	7.8
Gross financing sources	10.9	7.1	5.0	5.1	9.6	9.6	2.6	10.5	6.7	7.3	7.8
Domestic	10.2	3.6	2.0	1.8	0.4	0.8	0.8	4.0	2.5	3.2	6.6
External	0.7	3.9	8.2	8.3	4.0	3.9	1.6	6.8	4.1	4.0	1.2
Of which: Official	0.7	3.9	2.5	2.6	2.2	2.1	1.6	1.8	2.2	2.2	1.2
Divestment + deposit drawdown	0.0	-0.4	-5.2	-5.0	5.2	4.9	0.1	-0.3	0.0	0.0	0.0
Memorandum items:											
Nominal GDP (billion J$)	1,340	1,459	1,601	1,568	1,691	1,676	1,833	2,012	2,206	2,408	2,621
Public sector debt	146.5	141.6	140.1	136.9	132.5	133.0	126.8	119.3	111.0	103.3	95.4
Of which: Direct debt	125.2	124.2	122.9	122.7	117.7	117.5	112.5	105.3	97.5	90.0	82.3

Sources: Jamaican authorities and Fund staff estimates and projections.

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

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

Table 4. Jamaica: Operations of the Public Entities

	In billions of Jamaican dollars						In percent of GDP					
				Prog.	Prel.	Prog.			Prel.	Prog.	Prel.	Prog.
	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16
Operating balance selected public entities 1/	**55.2**	**60.6**	**16.6**	**29.2**	**36.5**	**48.9**	**4.4**	**4.5**	**1.1**	**1.9**	**1.9**	**2.2**
Of which:												
Clarendon Aluminum	-7.2	-1.1	-10.1	…	…	…	-0.6	-0.1	-0.7	…	…	…
Petrojam	25.1	15.5	14.7	…	…	…	2.0	1.2	1.0	…	…	…
NROCC	-0.6	-3.3	-2.8	…	…	…	0.0	-0.2	-0.2	…	…	…
Urban Development Corporation	-0.8	-0.4	0.6	…	…	…	-0.1	0.0	0.0	…	…	…
National Water Commission	4.0	8.0	0.8	…	…	…	0.3	0.6	0.1	…	…	…
Port Authority of Jamaica	2.9	3.7	3.8	…	…	…	0.2	0.3	0.3	…	…	…
National Housing Trust	26.9	29.6	4.3	…	…	…	2.1	2.2	0.3	…	…	…
National Insurance Fund	1.7	4.8	1.4	…	…	…	0.1	0.4	0.1	…	…	…
Net current transfers from the central government	**-11.8**	**-15.2**	**-19.1**	**-26.6**	**-22.6**	**-21.3**	**-0.9**	**-1.1**	**-1.3**	**-1.7**	**-1.4**	**-1.3**
Of which:												
Clarendon Aluminum	7.5	3.4	1.7	…	…	…	0.6	0.3	0.1	…	…	…
Petrojam	-19.2	-21.3	-18.8	…	…	…	-1.5	-1.6	-1.3	…	…	…
NROCC	0.2	3.0	3.4	…	…	…	0.0	0.2	0.2	…	…	…
Urban Development Corporation	0.7	0.1	0.3	…	…	…	0.1	0.0	0.0	…	…	…
National Water Commission	0.0	1.0	0.7	…	…	…	0.0	0.1	0.0	…	…	…
Port Authority of Jamaica	0.0	0.0	0.0	…	…	…	0.0	0.0	0.0	…	…	…
National Housing Trust	-1.2	-4.0	-11.4	…	…	…	-0.1	-0.3	-0.8	…	…	…
National Insurance Fund	0.0	0.0	0.0	…	…	…	0.0	0.0	0.0	…	…	…
Gross capital expenditure selected public entities 2/	**39.5**	**41.6**	**39.6**	**41.8**	**39.3**	**47.4**	**3.1**	**3.1**	**2.7**	**2.7**	**2.5**	**2.8**
Of which:												
Clarendon Aluminum	-0.2	1.5	0.4	…	…	…	0.0	0.1	0.0	…	…	…
Petrojam	2.6	0.2	1.5	…	…	…	0.2	0.0	0.1	…	…	…
NROCC	0.6	0.3	0.4	…	…	…	0.1	0.0	0.0	…	…	…
Urban Development Corporation	0.7	0.2	1.8	…	…	…	0.1	0.0	0.1	…	…	…
National Water Commission	4.5	9.7	-6.0	…	…	…	0.4	0.7	-0.4	…	…	…
Port Authority of Jamaica	2.1	0.8	0.5	…	…	…	0.2	0.1	0.0	…	…	…
National Housing Trust	25.5	23.2	22.3	…	…	…	2.0	1.7	1.5	…	…	…
National Insurance Fund	0.1	0.0	0.0	…	…	…	0.0	0.0	0.0	…	…	…
Other net spending selected public entities 3/	0.0	0.0	-27.9	-28.9	-20.7	-13.9	0.0	0.0	-1.9	-1.8	-1.3	-0.8
Overall balance selected public entities	**3.9**	**3.7**	**-14.2**	**-10.3**	**-4.7**	**-5.9**	**0.3**	**0.3**	**-1.0**	**-0.7**	**-0.3**	**-0.4**
Of which:												
Clarendon Aluminum	0.5	0.8	-8.5	…	…	…	0.0	0.1	-0.6	…	…	…
Petrojam	3.3	-5.9	-5.0	…	…	…	0.3	-0.4	-0.3	…	…	…
NROCC	-1.0	-0.5	0.1	…	…	…	-0.1	0.0	0.0	…	…	…
Urban Development Corporation	-0.8	-0.5	0.6	…	…	…	-0.1	0.0	0.0	…	…	…
National Water Commission	-0.5	-0.7	-4.5	…	…	…	0.0	-0.1	-0.3	…	…	…
Port Authority of Jamaica	0.8	3.0	3.7	…	…	…	0.1	0.2	0.3	…	…	…
National Housing Trust	0.2	2.4	-4.7	…	…	…	0.0	0.2	-0.3	…	…	…
National Insurance Fund	1.6	4.7	1.4	…	…	…	0.1	0.4	0.1	…	…	…
Overall balance other public entities	**-4.1**	**-1.8**	**14.3**	**10.3**	**18.5**	**5.9**	**-0.3**	**-0.1**	**1.0**	**0.7**	**1.2**	**0.4**
Overall balance public entities	**-0.2**	**1.9**	**0.1**	**0.0**	**13.7**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.9**	**0.0**

Sources: Jamaican authorities; and Fund staff estimates.

1/ Selected public entities refer to a group of the most important 18 public bodies of which 8 are shown. The operating balance is defined as current revenues minus current expenditures after adjustments from accrual accounting to cash basis.
2/ Gross of the change in inventories.
3/ Other net spending items not captured in the operating balance or gross capital expenditures. Positive number means spending.

Table 5. Jamaica: Summary Balance of Payments

(In millions of U.S. dollars)

	2012/13	2013/14	Prog. 2014/15	2014/15	Prog. 2015/16	Projections 2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Current account	-1,459	-1,175	-738	-851	-535	-698	-666	-624	-581	-589	-607
Trade balance	-3,946	-3,781	-3,492	-3,522	-3,287	-3,408	-3,484	-3,534	-3,564	-3,603	-3,625
Exports (f.o.b.)	1,744	1,499	1,415	1,422	1,423	1,426	1,503	1,580	1,661	1,754	1,854
Imports (f.o.b.)	5,690	5,280	4,907	4,944	4,710	4,834	4,986	5,115	5,225	5,357	5,479
Fuel (cif)	2,124	2,158	1,664	1,697	1,072	1,212	1,380	1,492	1,571	1,641	1,700
Exceptional imports (including FDI-related)	618	353	400	400	400	400	400	330	300	300	300
Other	2,949	2,769	2,843	2,847	3,237	3,222	3,207	3,292	3,354	3,416	3,479
Services (net)	551	630	782	715	710	685	742	791	838	875	914
Transportation	-749	-659	-646	-658	-748	-750	-758	-769	-783	-802	-820
Travel	1,885	1,922	2,153	2,133	2,207	2,208	2,273	2,338	2,405	2,474	2,546
Of which: Tourism receipts	2,058	2,096	2,320	2,320	2,389	2,389	2,460	2,533	2,608	2,686	2,766
Other services	-585	-633	-725	-760	-749	-773	-773	-777	-784	-798	-811
Income (net) 4/	-182	-282	-283	-299	-292	-310	-334	-356	-383	-418	-483
Current transfers (net)	2,119	2,258	2,255	2,255	2,334	2,334	2,409	2,474	2,528	2,558	2,587
Government (net)	206	266	168	168	171	171	174	178	182	185	189
Private (net)	1,913	1,993	2,088	2,088	2,164	2,164	2,235	2,296	2,347	2,372	2,398
Capital and financial account	565	1,127	991	1,455	208	-89	519	778	685	758	637
Capital account (net)	-14	-26	-26	-26	-26	-26	-26	-26	-26	-26	-26
Financial account (net) 1/	579	1,153	1,017	1,481	234	-63	545	804	711	784	663
Direct investment (net)	325	635	541	666	530	530	547	563	579	595	591
Central government (net)	-503	-225	270	284	-437	-447	-589	-6	29	41	-198
Other official (net) 2/	542	396	269	265	112	127	75	46	25	12	18
Of which: PetroCaribe	462	375	249	245	48	63	35	7	-14	-26	0
Portfolio investment (net)	215	347	-63	266	29	-273	512	201	78	136	253
Overall balance	-894	-48	254	604	-326	-787	-147	154	104	169	30
Financing	894	48	-254	-604	326	787	147	-154	-104	-169	-30
Change in gross reserves (- increase)	893	-330	-276	-726	-67	384	-256	-136	-35	-61	77
Change in arrears	0	0	0	0	0	0	0	0	0	0	0
Financing gap	2	379	22	122	393	403	403	-18	-70	-108	-107
IMF 3/	0	-26	-163	-163	127	127	176	-18	-70	-108	-107
Disbursements	0	346	259	259	176	176	176	0	0	0	0
Repayments	0	-372	-422	-422	-50	-50	0	-18	-70	-108	-107
IFIs	107	376	185	181	267	277	227	0	0	0	0
Memorandum items:											
Gross international reserves	1,718	2,049	2,324	2,775	2,391	2,391	2,647	2,783	2,818	2,879	2,802
(in weeks of prospective imports of GNFS)	11.4	14.6	17.3	20.4	17.9	17.5	18.9	19.4	19.2	19.1	18.2
Net international reserves	884	1,304	1,884	2,335	1,824	1,825	1,904	2,058	2,163	2,332	2,362
NIR (excl. prefinanced repayments of maturing bonds)			1,585	2,036	1,772	1,772	1,904	2,058	2,163	2,332	2,362
Current account (percent of GDP)	-9.9	-8.4	-5.3	-6.1	-3.9	-5.0	-4.6	-4.2	-3.7	-3.6	-3.5
Exports of goods (percent change)	7.8	-14.1	-5.0	-5.1	0.5	0.3	5.3	5.2	5.1	5.6	5.7
Imports of goods (percent change)	-3.1	-7.2	-7.3	-6.4	-4.0	-2.2	3.2	2.6	2.2	2.5	2.3
Oil prices (composite, fiscal year basis)	104.8	102.1	84.9	86.7	52.9	60.0	66.7	70.2	72.1	73.3	74.0
Tourism receipts (percent change)	1.4	1.8	10.7	10.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
GDP (US$ millions)	14,702	...	...	...	...	...	...	...	...	...	...
Jamaican dollar/USD, period average	91	...	...	...	...	...	...	...	...	...	...

Sources: Jamaican authorities; and Fund staff estimates.

1/ Includes estimates of a partial payment for the sales of a rum company in 2008/09.
2/ Includes the new general SDR allocation in 2009/10.
3/ Negative indicates repayment to the IMF.
4/ Starting FY2011/12, interest payments to non-residents were adjusted to reflect resident holdings of GOJ global bonds.

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

	2012/13	2013/14	Prog. 2014/15	2014/15	Prog. 2015/16	Projections 2015/16	Projections 2016/17	Projections 2017/18	Projections 2018/19	Projections 2019/20	Projections 2020/21
	(In billions of Jamaican dollars)										
End-of-period stocks 1/											
Net foreign assets	**87**	**143**	**220**	**269**	**231**	**227**	**250**	**282**	**308**	**345**	**363**
Net domestic assets	**4**	**-48**	**-121**	**-168**	**-124**	**-120**	**-133**	**-154**	**-168**	**-192**	**-193**
Net claims on public sector	212	195	171	110	184	123	138	141	134	128	133
Net claims on central government	82	75	50	17	83	31	36	35	32	30	33
Net claims on rest of public sector	130	130	124	88	104	97	105	110	106	101	104
Operating losses of the BOJ	0	-10	-4	-8	-2	-4	-4	-4	-4	-4	-4
Net credit to commercial banks	-20	-21	-22	-24	-26	-25	-28	-30	-32	-34	-39
Of which : foreign prudential reserve	-20	-21	-22	-24	-26	-25	-28	-30	-32	-34	-39
Net credit to other financial institutions	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2
Open market operations	-54	-31	-33	-39	-23	-33	-41	-49	-39	-40	-25
Other items net (incl. valuation adj.)	-133	-189	-235	-213	-258	-184	-200	-214	-228	-243	-259
Valuation adjustment	-57	-61	-66	-44	-88	-68	-84	-98	-112	-127	-143
Base money	**91**	**94**	**100**	**101**	**107**	**106**	**116**	**128**	**140**	**153**	**171**
Currency in circulation	51	54	58	58	62	62	67	74	81	89	96
Liabilities to commercial banks	41	41	42	43	45	45	49	54	59	64	74
Fiscal year flows 1/											
Net foreign assets	**-70.2**	**55.4**	**77.6**	**125.8**	**10.5**	**-42.0**	**23.0**	**32.1**	**26.1**	**37.1**	**18.2**
Net domestic assets	77.8	-52.3	-72.3	-119.1	-3.0	47.3	-13.1	-20.7	-13.8	-24.3	-0.3
Net claims on public sector	66.2	-17.6	-23.3	-84.2	13.1	12.8	14.4	3.4	-7.2	-6.1	5.3
Net claims on central government	7.3	-7.4	-24.2	-57.4	32.4	13.6	5.0	-1.1	-2.8	-1.9	2.6
Net credit to commercial banks	-4.7	-1.6	-1.0	-2.5	-3.2	-1.5	-3.0	-1.5	-2.1	-2.1	-5.0
Net credit to other financial institutions	-0.2	0.0	-0.2	-0.1	0.0	-0.1	-0.2	-0.1	-0.2	-0.1	0.0
Open market operations	57.3	23.8	-2.1	-8.3	9.7	6.4	-8.1	-8.4	9.7	-1.0	15.4
Other items net (incl. valuation adj.)	-40.8	-56.9	-45.6	-24.0	-22.7	29.7	-16.2	-14.2	-14.0	-14.9	-16.0
Base money	**7.6**	**3.1**	**5.3**	**6.7**	**7.5**	**5.3**	**9.9**	**11.4**	**12.3**	**12.8**	**17.9**
Currency in circulation	3.3	3.0	4.2	4.7	4.3	3.3	5.8	6.6	7.1	7.4	7.9
Liabilities to commercial banks	4.3	0.2	1.2	2.0	3.1	2.0	4.2	4.8	5.2	5.4	10.0
	(Change in percent of beginning-of-period Base Money)										
Net foreign assets	**-83.9**	**60.7**	**82.2**	**133.2**	**10.5**	**-41.6**	**21.6**	**27.6**	**20.5**	**26.5**	**11.9**
Net domestic assets	**93.0**	**-57.3**	**-76.5**	**-126.2**	**-3.0**	**46.7**	**-12.3**	**-17.8**	**-10.8**	**-17.4**	**-0.2**
Net claims on public sector	79.1	-19.3	-24.7	-89.1	13.1	12.6	13.6	2.9	-5.6	-4.3	3.5
Net credit to commercial banks	-5.6	-1.7	-1.1	-2.6	-3.2	-1.5	-2.8	-1.3	-1.7	-1.5	-3.3
Net credit to other financial institutions	-0.3	0.1	-0.2	-0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	0.0
Open market operations	68.4	26.0	-2.2	-8.8	9.7	6.3	-7.7	-7.2	7.6	-0.7	10.1
Other items net (incl. valuation adj.)	-48.7	-62.3	-48.3	-25.4	-22.7	29.4	-15.2	-12.2	-11.0	-10.7	-10.5
Base money	**9.1**	**3.4**	**5.7**	**7.0**	**7.5**	**5.2**	**9.3**	**9.8**	**9.6**	**9.1**	**11.7**
Currency in circulation	4.0	3.3	4.4	5.0	4.4	3.3	5.4	5.7	5.6	5.3	5.1
Liabilities to commercial banks	5.1	0.2	1.2	2.1	3.1	1.9	3.9	4.1	4.0	3.8	6.6
Memorandum items:											
Change in net claims on the central government (percent of GDP)	0.5	-0.5	-1.5	-3.7	1.9	0.8	0.3	-0.1	-0.1	-0.1	0.1

Sources: Bank of Jamaica; and Fund staff estimates.

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

Table 7. Jamaica: Summary Monetary Survey 1/

			Prog.		Prog.	Projections					
	2012/13	2013/14	2014/15	2014/15	2015/16	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	(In billions of Jamaican dollars)										
End-of-period stocks 1/											
Net foreign assets	**117**	**191**	**276**	**311**	**290**	**286**	**313**	**345.0**	**372.2**	**409.3**	**432.2**
Net domestic assets	**279**	**229**	**168**	**132**	**187**	**187**	**205**	**223.5**	**251.1**	**270.8**	**327.5**
Net claims on public sector	293	268	257	187	274	217	223	233.0	230.4	224.9	231.6
Of which: Central government 2/	186	173	156	126	187	139	133	135.1	134.0	131.5	133.9
Open market operations	-36	18	-1	-12	-23	-30	-49	-68.0	-84.5	-112.9	-123.3
Credit to private sector	294	326	343	339	393	382	431	477.9	542.9	614.2	687.1
Of which: Foreign currency	81	84	78	77	81	79	84	88.4	93.3	99.4	106.9
Other 3/	-272	-327	-325	-303	-349	-329	-348	-366.1	-384.1	-402.5	-415.0
Of which: Valuation adjustment	-57	-61	-65	-43	-85	-65	-79	-90.6	-102.2	-114.4	-127.0
Liabilities to private sector (M3)	**396**	**421**	**444**	**444**	**478**	**474**	**518**	**568.5**	**623.3**	**680.1**	**759.7**
Money supply (M2)	252	261	270	270	287	284	306	346.0	384.8	425.8	467.9
Foreign currency deposits	144	160	174	173	191	189	212	222.5	238.5	254.3	291.8
Fiscal year flows 1/											
Net foreign assets	**-47.4**	**74.1**	**85.3**	**120.2**	**13.9**	**-25.0**	**26.7**	**31.9**	**27.2**	**37.2**	**22.8**
Net domestic assets	**93.9**	**-50.0**	**-61.5**	**-97.2**	**19.4**	**55.0**	**17.5**	**18.8**	**27.6**	**19.7**	**56.8**
Net claims on public sector	76.0	-25.4	-10.7	-80.4	17.0	29.6	6.2	9.7	-2.6	-5.5	6.6
Of which: Central government	18.0	-12.4	-17.5	-46.9	31.6	13.0	-6.4	2.0	-1.1	-2.5	2.4
Open market operations	27.3	54.4	-18.9	-30.2	-22.6	-17.9	-18.5	-19.5	-16.4	-28.4	-10.4
Credit to private sector	45.3	32.3	16.9	13.2	49.5	42.8	48.7	46.9	65.0	71.3	72.9
Of which: Foreign currency	1.0	2.4	-5.9	-7.3	3.0	2.8	4.4	4.6	4.9	6.1	7.5
Other 2/	-54.7	-55.2	2.2	23.7	-24.4	-25.4	-19.5	-18.0	-17.9	-18.5	-12.4
Of which: Valuation adjustment	-2.2	-3.9	-3.9	17.3	-20.3	-21.5	-13.9	-11.9	-11.6	-12.2	-12.6
Liabilities to private sector (M3)	**46.5**	**24.1**	**23.8**	**23.1**	**33.3**	**29.9**	**44.2**	**50.8**	**54.8**	**56.8**	**79.6**
Money supply (M2)	16.0	8.4	9.9	9.7	16.1	13.8	22.0	39.9	38.7	41.0	42.1
Foreign currency deposits	30.6	15.7	13.9	13.4	17.2	16.1	22.2	10.9	16.0	15.8	37.5
	(Change in percent of beginning-of-period M3)										
Net foreign assets	**-13.5**	**18.7**	**20.3**	**28.6**	**3.1**	**-5.6**	**5.6**	**6.2**	**4.8**	**6.0**	**3.4**
Net domestic assets	**26.8**	**-12.6**	**-14.6**	**-23.1**	**4.4**	**12.4**	**3.7**	**3.6**	**4.9**	**3.2**	**8.3**
Net claims on public sector	21.7	-6.4	-2.5	-19.1	3.8	6.7	1.3	1.9	-0.5	-0.9	1.0
Of which: Central government	5.2	-3.1	-4.2	-11.1	7.1	2.9	-1.3	0.4	-0.2	-0.4	0.4
Open market operations	7.8	13.7	-4.5	-7.2	-5.1	-4.0	-3.9	-3.8	-2.9	-4.6	-1.5
Credit to private sector	13.0	8.2	4.0	3.1	11.1	9.6	10.3	9.1	11.4	11.4	10.7
Of which: Foreign currency	0.3	0.6	-1.4	-1.7	0.7	0.6	0.9	0.9	0.9	1.0	1.1
Other 2/	-15.6	-13.9	0.5	5.6	-5.5	-5.7	-4.1	-3.5	-3.2	-3.0	-1.8
Of which: Valuation adjustment	-0.6	-1.0	-0.9	4.1	-4.6	-4.8	-2.9	-2.3	-2.0	-2.0	-1.9
Liabilities to private sector (M3)	**13.3**	**6.1**	**5.7**	**5.5**	**7.5**	**6.7**	**9.3**	**9.8**	**9.6**	**9.1**	**11.7**
Memorandum items:											
M3/monetary base	4.3	4.5	4.5	4.4	4.5	4.5	4.5	4.5	4.5	4.5	4.5
M3 velocity	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

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

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

Table 8. Jamaica: Financial Sector Indicators 1/

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

Source: Bank of Jamaica.

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

Table 9. Jamaica: Structural Program Conditionality

Measures	Status/Timing	
Structural Benchmarks	**Timing**	**Implementation status**
Institutional fiscal reforms		
1. Revise the relevant legislation for the adoption of a fiscal rule to ensure a sustainable budgetary balance, to be incorporated in the annual budgets starting with the 2014/15 budget.	March 31, 2014	Met
2. Government to finalize a review of public sector employment and remuneration that serves to inform policy reform.	March 31, 2014	Met
3. Government to ensure there is: (i) no financing of Clarendon Alumina Production (CAP) by the government or any public body, including Petro Caribe; and (ii) no new government guarantee for CAP or use of public assets (other than shares in CAP and assets owned by CAP) as collateral for third-party financing of CAP.	Continuous	Met
4. Government to table in parliament a budget for 2014/15 consistent with the program.	April 30, 2014	Met
5. Government to table in parliament a comprehensive Public Sector Investment Program (MEFP paragraph 17, Country Report No. 13/378).	April 30, 2014	Met
6. Cap the total loan value of all new user-funded PPPs at 3 percent of GDP on a cumulative basis over the program period.	Continuous	Met
7. Ensure that the public service database e-census is up to date and covers all Ministries, Departments and Agencies.	September 10, 2014	Met
8. Develop an action plan for public sector transformation to cover the following areas: (1) the introduction of shared corporate services, (2) the reallocation, merger, abolition and divestment/privatization of departments and agencies, (3) outsourcing of services, (4) strengthening control systems and accountability (including in auditing and procurement), and (5) aligning remuneration with job requirements.	September 30, 2014	Met
9. Government to table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25, Country Report No. 14/169).	November 30, 2015	
10. Government to establish a new Cash Management Unit in the Accountant General Department (AGD) and transfer to it the cash management function currently handled by the Fiscal Policy Management Unit (FPMU).	September 30, 2015	
Tax Reform		
11. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
12. Broader tax reform to become effective, including the modernization of taxes, with limited exemptions, and lower tax rates (paragraphs 6, 7, 8, and 9 of the MEFP for Country Report 13/378) and as stipulated in par. 13 of the March 2014 MEFP.	March 31, 2014	Met
13. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
14. Government to conduct an entity by entity review of all grandfathered entities and of their specific tax incentives in the context of the new tax incentives legislation by end-2014/15.	January 31, 2015	Not met 2/
15. Government to table legislation governing the tax regime that will be part of the SEZ legislation consistent with the criteria listed in the June 2015 MEFP par. 13 to help safeguard the integrity of the tax system and avoid tax leakage.	October 31, 2015	Proposed
Tax Administration		
16. Government to make e-filing mandatory for LTO clients with respect to General Consumption Tax (GCT) and Corporate Income Tax (CIT).	March 31, 2014	Met
17. Government to implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	Met
18. Government to: (i) increase the number of staff in the large taxpayers office (LTO) by a further 30 auditors (from March 2014 to March 2015); (ii) increase the number of (full plus issue) audits completed in the LTO by 100 percent (from FY 2013/14 to FY 2014/15); (iii) achieve 95 percent take up rate of e-filing and e-payment in the LTO; (iv) write-off all GCT and SCT debts that have been subjected to risk-rated stress tests and consequently categorized as uncollectible according to the Regulations.	March 31, 2015	Not met 3/
19. Government to complete pilot testing of ASYCUDA World (covering imports and exports) in the Kingston port.	May 31, 2015	
20. Government to implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	Met
21. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	
22. Government to introduce new productivity indicators, in consultation with Fund staff, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	
23. Government to implement Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types.	December 31, 2015	

Table 9. Jamaica: Structural Program Conditionality (concluded)

Financial sector		
24. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
25. Government to submit proposals for a distinct treatment for retail repo client interests in the legal and regulatory framework to the relevant financial industry for consultation (MEFP March 2014 Paragraph 25) in consultation with Fund staff.	March 31, 2014	Met
26. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (June 2014 MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	Met
27. Government to table the Omnibus Banking Law 1/ consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 4/
28. Government to finalize the transition of retail repos to the trust-based framework.	August 30, 2015	
29. Government to fully implement the Banking Services Act.	September 30, 2015	
30. The BOJ to have overall responsibility for financial stability.	November 1, 2015	
Growth enhancing structural reforms		
31. Government to implement a new (AMANDA) tracking system to track approval of contruction permits across all parish councils.	December 30, 2014	Met
32. Government to table in parliament the Electricity Act.	January 31, 2015	Met

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

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

(In billions of Jamaican dollars)

	2014	2015									2016
	End-Dec.	End-Mar.	End-Mar.	End-Mar.	End-June	End-June	End-Sep.		End-Dec.		End-Mar.
	Stock	PC	Adjusted	Actual	PC	Proposed Revised PC	PC	Proposed Revised PC	PC	Proposed Revised PC	Proposed PC
Fiscal targets											
1. Primary balance of the central government (floor) 4/		121.0		117.2	17.0	17.0	40.0	40.0	65.0	65.0	126.0
2. Tax Revenues (floor) 4/9/		384.0		370.9	88.0	88.0	189.0	185.0	287.0	280.0	411.0
3. Overall balance of the public sector (floor) 4/		-11.6	-12.6	6.5	-21.0	-21.0	-33.0	-34.0	-35.0	-36.0	-3.7
4. Central government direct debt (ceiling) 4/5/		90.6		76.8	4.5	4.5	0.0	40.0	12.0	41.0	71.0
5. Central government guaranteed debt (ceiling) 4/		-1.8		-1.8	2.0	2.0	2.0	2.0	0.0	0.0	0.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/		0.0		-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Consolidated government accumulation of external debt payment arrears (ceiling) 6/12/		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Social spending (floor) 9/10/		21.7		23.2	4.5	4.5	9.2	9.2	15.6	15.6	23.2
Monetary targets											
10. Cumulative change in net international reserves (floor) 8/11/	1997.7	529.4	352.3	1289.9	470.3	-482.2	469.0	-463.3	614.5	-338.0	-339.0
11. Cumulative change in net domestic assets (ceiling) 11/	-120.2	-55.1	-36.3	-139.9	-45.7	54.4	-44.0	56.1	-45.5	53.8	24.2

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Including proposed modified performance criteria for the net international reserves and the net domestic assets.
3/ Based on program exchange rates defined in the March 2015 TMU.
4/ Cumulative flows from April 1 through March 31.
5/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
6/ Includes debt payments, supplies and other committed spending as per contractual obligations.
7/ Includes tax refund arrears as stipulated by law.
8/ In millions of U.S. dollars.
9/ Indicative target.
10/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.
11/ For March 2015: cumulative change from end-December 2013; proposed revised PC show cumulative change from end-December 2014.
12/ Continuous performance criterion.
13/ This accumulation is measured as the change in the stock of arrears relative to the stock at end-March 2014. The latter stock is listed in the column for the stock at end-December 2014.

Table 11. Jamaica: Indicators of Fund Credit, 2015-26

(In millions of SDRs, unless otherwise specified)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Prospective drawings (4-year EFF)	85.00	113.28	28.33	…	…	…	…	…	…	…	…	…
(in percent of quota)	31.08	41.42	10.36	…	…	…	…	…	…	…	…	…
(Projected Debt Service to the Fund based on Existing and Prospective Drawings)												
Amortization	23.91	3.99	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76	0.00
Amortization (SBA)	23.91	3.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amortization (4-year EFF)	0.00	0.00	11.40	37.11	64.80	83.68	100.20	102.56	91.17	65.46	37.76	0.00
Interest and service charges	2.71	5.86	6.45	6.26	5.79	5.07	4.14	3.07	2.00	1.12	0.51	0.00
SDR charges and assessments	0.02	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total debt service	26.64	9.89	17.89	43.41	70.64	88.80	104.38	105.68	93.21	66.62	38.31	0.04
(in percent of exports of G&S)	0.91	0.32	0.57	1.32	2.07	2.50						
(in percent of GDP)	0.28	0.10	0.18	0.41	0.64	0.76	0.86	0.83	0.70	0.47	0.26	0.00
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings)												
Outstanding stock	477.76	587.05	603.98	566.88	502.08	418.39	318.19	215.63	124.46	59.00	21.24	2.36
(in percent of quota)	174.68	214.64	220.83	207.27	183.58	152.98	116.34	78.84	45.51	21.57	7.77	0.86
(in percent of GDP)	5.08	6.10	6.00	5.35	4.51	3.59	2.61	1.69	0.93	0.42	0.14	0.02
Memorandum items:												
Exports of goods and services (US$ millions)	4,377.40	4,545.86	4,720.84	4,900.71	5,094.15	5,297.29	…	…	…	…	…	…
US$/SDR exchange rate	…	…	…	…	…	…	…	…	…	…	…	…
Quota	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50	273.50

Source: Fund Staff estimates.

Table 12. Jamaica: Schedule of Reviews and Purchases

	Amount of Purchase		
Availability Date	Millions of SDR	Percent of Quota	Conditions 1/
	Purchases		
May 1, 2013	136.75	50	Approval of Arrangement
September 30, 2013	19.97	7	First Review and end-June 2013 performance criteria
December 18, 2013	19.97	7	Second Review and end-September 2013 performance criteria
March 19, 2014	45.95	17	Third Review and end-December 2013 performance criteria
June 20, 2014	45.95	17	Fourth Review and end-March 2014 performance criteria
September 24, 2014	45.95	17	Fifth Review and end-June 2014 performance criteria
December 19, 2014	45.95	17	Sixth Review and end-September 2014 performance criteria
March 30, 2015	28.32	10	Seventh Review and end-December 2014 performance criteria
June 15, 2015	28.32	10	Eighth Review and end-March 2015 performance criteria
September 15, 2015	28.32	10	Ninth Review and end-June 2015 performance criteria
December 15, 2015	28.32	10	Tenth Review and end-September 2015 performance criteria
March 15, 2016	28.32	10	Eleventh Review and end-December 2015 performance criteria
June 15, 2016	28.32	10	Twelfth Review and end-March 2016 performance criteria
September 15, 2016	28.32	10	Thirteenth Review and end-June 2016 performance criteria
December 15, 2016	28.32	10	Fourteenth Review and end-September 2016 performance criteria
March 15, 2017	28.33	10	Fifteenth Review and end-December 2016 performance criteria
Total	615.38	225.0	

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

Appendix I. Letter of Intent

Kingston, Jamaica
June 1, 2015

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

Dear Ms. Lagarde,

Jamaica has continued the steadfast implementation of its Fund-supported economic reform programme aimed at overcoming the long-standing problems of low growth and high debt. All quantitative fiscal and monetary performance criteria under the programme have been met for all quarterly test dates, with the exception of the March 2015 nominal target for the primary surplus for the central government, which was missed by a narrow margin, owing to lower than projected inflation and GDP growth (the surplus still came in at the projected 7.5 percent of GDP). The Government has also implemented all of the structural benchmarks that were included in the programme, albeit with some minor delays.

The Government remains fully committed to meeting the objectives of the programme, as well as its specific targets. Attachment 1 to this letter is a new comprehensive Memorandum of Economic and Financial Policies (MEFP), presenting performance under the programme, and updating the specific policies to meet the programme's ultimate objectives, including the associated quantitative targets and structural benchmarks. Attachment 2 is the updated Technical Memorandum of Understanding.

On the basis of our performance under the programme thus far as well as our strong commitment to the continued implementation of the programme, the Government requests that the Executive Board of the IMF complete the eighth review of the extended arrangement under the Extended Fund Facility, and approve the modification of performance criteria for end-June 2015, end-September 2015 and end-December 2015 and the new performance criteria for March 2016 and the ninth purchase under the arrangement of SDR 28.32 million. We request a waiver for the missed performance criterion for the March 2015 primary surplus of the central government, taking into account that the target was missed by a narrow margin, and also that several actions to strengthen revenue and expenditure management have been taken, as discussed in detail in the attached MEFP.

The Government believes that the policies described in the attached MEFP are adequate to achieve the programme's objectives. However, if necessary, the Government stands ready to take any additional measures that may be required. The Government will consult with the Fund in advance on the adoption of these measures and revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation.

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

As part of our communication policy, we intend to publish this letter on the websites of the Ministry of Finance and Planning and the Bank of Jamaica to keep domestic and international agents informed about our policy actions and intentions. In that regard, we authorize the Fund to publish this letter and its attachments as well as the associated staff report.

Very truly yours,

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

/s/
Brian Wynter
Governor, Bank of Jamaica
Jamaica

Attachment I. Memorandum of Economic and Financial Policies

I. PROGRAMME OBJECTIVES AND GROWTH STRATEGY

1. The Jamaican government has embarked on a comprehensive reform programme aimed at raising economic growth. The programme is underpinned by the understanding that fiscal and debt sustainability are necessary conditions for macroeconomic stability and economic growth. A large and credible reduction in the debt burden will be a necessary condition for higher private-sector-led growth as the government frees up more of the available domestic resources and as economic confidence is bolstered. In addition, in this environment, government spending can be directed toward the catalytic development of infrastructure to support growth. The programme also includes key measures to improve the business climate and is supported by major strategic investments, such as the North-South highway, which will link the northern and southern sides of the island, new power plants, and logistics infrastructure. The programme aims at raising annual GDP growth to more than 2 percent.

2. To help soften any negative impact on the poor, the programme includes important measures to strengthen the social safety net. The programme has been designed to ensure that the adjustment burden is effectively shared across society and economic agents. Safeguards have been included to ensure that the social safety net is not only preserved but broadened, with special attention to enhancing those social programmes that are well targeted and far-reaching.

3. Broad agreement on the need to reform the economy is critical for the success of the programme. The programme continues to benefit from the support of the Partnership for Jamaica Agreement, and from the active involvement of private stakeholders such as through the Economic Programme Oversight Committee (EPOC).

4. While significant progress has been made in the first two years of the programme, much remains to be done. Importantly, debt has now firmly been put on a downward trajectory: debt-to-GDP declined from 147 percent of GDP in March 2013 to 137 percent of GDP in March 2015, and is projected to reach 133 percent by March 2016. Key reforms that were adopted in the first two years of the program include the December 2013 tax incentive legislation, the adoption of a fiscal rule in March 2014, the first stage of implementation of the tax administration's integrated tax software in February 2015, and the adoption of the budget ahead of the fiscal year in March 2015. Major reforms to be taken forward in the third and fourth year of the program include public sector transformation, public pension reform, and reform of the securities dealers sector, while also maintaining a prudent fiscal stance.

5. On May 1, 2013 the Fund's Executive Board approved a four-year extended arrangement under the EFF in support of Jamaica's economic reform programme. Seven reviews have been completed to date. Program reviews will continue to be conducted on a quarterly basis.

II. PERFORMANCE UNDER THE PROGRAMME

6. **Overall policy implementation under the programme remains strong and structural reforms are progressing.** All but one of the quantitative performance targets for end-March were met. Three structural benchmarks due during January to March 2015 were also met:

- In January, the government tabled a new Electricity Bill in parliament.
- Phase I of the GENTAX integrated tax software package was implemented in February.
- An entity-by-entity review of all grandfathered entities and of their specific incentives in the context of the new tax incentives legislation was completed in March (with a minor delay).The Large Taxpayer Office (LTO) was strengthened by increasing the number of auditors and audits. The percentage of large taxpayers using e-filing and e-payment, however, did not increase to 95 percent but to 80 percent, in part due to technical difficulties experienced in the implementation of the new web portal which affected re-registration of LTO taxpayers (96 percent of those that re-registered e-filed). With regards to e-payment, there was a heavy reliance on the use of bank drafts for the payment of the taxes at the last moment. For that reason, the benchmark was not met.

III. POLICIES FOR 2015/16 AND BEYOND

7. **The Government remains fully committed to the reform strategy**. **This MEFP provides an updated and comprehensive overview of the policy programme that has been supported by the IMF.** The quantitative targets that serve as performance criteria and indicative targets under the programme have been updated and extended through March 2016. These updated targets are presented in Table 1. The structural conditionality under the programme, incorporating several modifications discussed below, is presented in Table 2.

The 2015/16 Budget

8. **The 2015/16 budget that was adopted by Parliament on March 27, 2015—ahead of the new fiscal year—is consistent with the objectives and targets of this programme.** In particular, the budget maintains the primary surplus of the central government at 7.5 percent of GDP. The expenditure budget maintains the priority outlays for specified social programmes above a floor in real terms. The 2015/16 budget also seeks, inter alia, to ensure sufficient drugs and other medical supplies for the health sector by significantly increasing the budget allocation to the Ministry of Health relative to 2014/15. Capital projects during 2015/16 are mainly programmed in the areas of education, health, energy, infrastructure, security and agriculture. The combined overall balance of the public bodies is projected at zero for the remaining programme years.

9. **A new Energy Stabilization and Energy Efficiency Enhancement Fund (ESEF) has been introduced**, to finance the purchase of a hedge against the risk of a sharp increase in the

price of oil and to manage resources in support of the objectives of the Fund, which will include providing financial buffers for the balance of payments and the budget and financing of longer-term energy-efficiency and conservation initiatives. Legislation and regulations governing the use of the ESEF will be adopted, consequent on Cabinet's approval, to prescribe a transparent governance structure for the operation of the ESEF including the formal establishment of an ESEF Advisory Board, clearly defined reporting requirements to the portfolio ministry and to Parliament, and preset criteria and/or limits on the allocation of EFSEF's resources among its multiple objectives.

Tax Reforms

10. To further strengthen our tax system, we have:

- **Introduced new tax measures in the context of the 2015/16 budget to support revenues and ensure that the government can meet its commitments.** The March 2015 tax package includes an extension of the environmental levy to domestic goods and CARICOM imports, the application of GCT on electricity for residential customer usage above 350 KwH (applying to about 6 percent of current residential customers), and higher excises on cigarettes (by J$1.5 per stick). The threshold for the personal income tax will be increased to J$592,800 per year effective January 2016, to lighten the burden on employees with incomes below that level. An increase in specific taxes on petroleum products by J$7 per litre was introduced to help compensate for lost revenue from lower global oil prices and provide resources for the establishment of the Energy Stabilization Fund.

- Tabled in Parliament the permanent legislation for the Minimum Business Tax, in March 2015; the legislation was passed in May 2015;

- Set up a Modernization Programme Office (MPO) in the TAJ to manage the implementation of tax reform. The structure and management arrangements of the MPO have been reviewed to improve governance and links with the TAJ, and revised arrangements were put in place in April 2015.

- Tabled legislation related to the establishment of the Revenue Appeals Department as a separate, independent entity, with IFC support, which was adopted in May 2015;

- Tabled legislation pertaining to transfer pricing on May 5, 2015 which is expected to be passed in June 2015. With OECD technical assistance, the TAJ is developing its capacity to effectively administer the new law upon its adoption.

- Prepared (with IMF TA support) an estimate of the revenue compliance gap for the GCT, to provide a basis for measuring the impact of administrative reforms and assisting compliance improvement initiatives. We will repeat this analysis in subsequent years;

- Explored options (with World Bank support) to simplify processes and reduce banking fees when making and receiving tax payments. This exercise is expected to yield results in 2015.

- Fully implemented the elimination of zero rating under the GCT for government purchases (except for purchases by public schools).

- Written off tax debts that have been subjected to risk-rated stress tests and consequently categorised as uncollectible in accordance with the Regulations in May 2015.

- Implemented property tax reform, including amendments to the Property Tax Amendment Act, the Land Valuation Amendment Act, and the Tax Collection Amendment Act to provide for, among other things, the publication of names, valuation numbers, addresses and amounts outstanding of delinquent property owners in the Jamaica Gazette, daily news papers, broadcast media or a Government of Jamaica website, subject to court proceedings, as well as provisions to allow utilization of a wide array of media for the posting of Assessment Notices. Amendments to the Land Valuation Act will also provide for a review mechanism (within a defined period of time) to assess the need for, and extent of, interim adjustment of land values, to take account of changes in economic conditions and/or change in the use of properties.

11. Important follow-up initiatives are still needed as part of the tax policy reform:

- Looking beyond 2015/16, we have requested a series of TA projects from FAD (possibly in collaboration with the IDB) to assess the impact of the tax reform completed to date, against the objectives of widening the tax base and creating room for lower rates over the medium-term, and boosting economic activity, as well as concerns about recent erosion of the tax base. The exercise should also review the existing or proposed tax regime in fields where technological changes and/or the impetus to spur foreign direct investment warrant a reassessment. The TA is expected to help identify priorities for further tax reform, to be considered starting with the 2016/17 budget.

- Following up on our entity-by-entity review of all grandfathered tax incentives, we will, by December 2015, assess the fiscal impact of ongoing grandfathering beyond 2020.

- Furthermore, and based on ongoing IDB TA, we plan to improve the reporting on tax expenditures and their estimated fiscal costs in the context of future budgets.

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

- Implementation of the tax National Compliance plan (NCP) for FY2015/16 that was prepared with assistance of the FAD's long term expert in tax administration, and is articulated around a risk-based model. The NCP is expected to be published in June 2015, and the operational plans of the tax offices and revenue service centers will be aligned with this plan no later than July 2015.

- To foster effective implementation and positive year-end tax revenue gains, FY2015/16 TAJ Programme Unit and Operational Plans which are to be finalized by 30 June 2015 will contain implementation strategies and detailed expected outputs and outcomes consistent with the NCP to be achieved for arrears management and objections by September 30, 2015.

- Completion of staffing the TAJ as a Semi-Autonomous Revenue Authority by end-March 2016. This will require:

  - by 31 July 2015 recruiting the direct reports to the Commissioner General and the Deputy Commissioners General;

  - by 30 Sept 2015 hiring the direct reports to chiefs and general management, and staff for the Human Resources, Finance and Accounts, Strategic Services (including planning, performance monitoring and reporting and programmes) and Customer Care Center sections; and

  - by 31 March 2016 completing the phased transitioning to SARA of all remaining TAJ staff.

  In addition, to assist with the SARA roll-out with CARTAC assistance undertake management and HR training during calendar year 2015

- Incorporation of the performance indicators outlined in the National Compliance Plan for FY2015/16 into the monthly reports by September 30, 2015 (covering domestic revenue collections, registration compliance, filing (including e-filing) compliance, payment compliance (both current year and arrears), correct returns (includes audit) compliance, objections processing, appeals results, withholding reporting, legal action instigated to recover taxes due, information matching and data mining activities, taxpayer education and assistance initiatives, tax gap analysis, refund processing and the achievement of the Government's revenue measures tax package for FY2015/16). This will finalize the transition to a more robust reporting system, and will meet the revenue productivity reporting structural benchmark for end-November 2015 (below).

- Full implementation of the new revenue productivity indicators that measure the effectiveness and the efficiency of the tax system (*structural benchmark for end-November 2015*), building on TA provided by the Fund.

- Commence formal training of TAJ staff (auditors, lawyers, technical specialists and data analysts) on transfer pricing issues, including asset base erosion and profit shifting, as soon as legislation is passed, based on the finalized rules by the OECD BEPS project.

- Start of sensitization and education activities of taxpayers and their accountants impacted by the new transfer pricing legislation by July 31, 2015.

- Application of the new transfer pricing law to returns for Year of Assessment 2015, by including in the LTO Audit Plan for FY2016/17 transfer pricing specific issue audits.

- Implementation of the Revenue Administration Cooperation and Information Sharing Memorandum of Understanding (MOU) which was signed in March 2015, including undertaking joint analysis, risk profiling and forensic data mining activities focusing on high compliance risk importers and the commencement of five (5) joint tax and customs compliance operations by 30 September 2015.

- Attaining the JCA annual performance indicators and targets, including for customs clearance and customs post-clearance audits, as set-out in the Jamaica Customs Agency Corporate Strategic Plan 2015-2018.

- Undertaking strategic amendments to the Customs Act with the assistance of CARTAC. The amendments will seek to facilitate the introduction of a modern integrated customs management system consistent with international standards and best practice. A Bill to amend the Customs Act will be tabled in the houses of Parliament by end-June 2015 (*structural benchmark*).

- Automating tax and customs operations by implementing:

  - (i) the full function production version of the ASYCUDA-World integrated customs software package for the entire countr*y (March 2016),* after completing pilot testing of this version (covering imports and exports) in the Kingston port by end-May 2015 (structural benchmark).

  - (ii) Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types by end-December 2015 (structural benchmark); the stamp duty and transfer tax will be added if possible (April 2016).

Special Economic Zones

13. The government will create a new regime for special economic zones (SEZs) that will replace the existing Export Free Zones, in a manner compatible with WTO and CARICOM requirements. This initiative aims to attract new economic activities to Jamaica, including logistics. It will support the provision of physical and human infrastructure as well as a competitive regulatory regime, and exploit synergies. Backward linkages to the rest of the economy will be key to maximizing their broader positive economic impact.

- Legislation governing the tax regime that will be part of the SEZ legislation will be tabled by end-October 2015 consistent with the following criteria to help safeguard the integrity of the tax system and avoid tax leakage (*proposed Structural Benchmark*): (i) Restrict eligibility to firms that meet preset criteria (thereby excluding businesses in established traditional sectors), with no ministerial discretion. In particular, firms operating in the extractive industries, tourism, telecommunication services, public utilities, financial services, construction services, real estate and property management, health services (excluding research and development) and retail, or in other sectors that do not fit in the strategic objectives of SEZ development, will not be eligible, whereas firms in the BPO and export processing sectors can be eligible; (ii) Allow zero rating of indirect taxes for eligible entities within the zone, subject to the establishment of an appropriate legislative framework to define forms and procedures, bonded warehouse controls, administrative penalties and other sanctions against tax evasion; (iii) Apply the same direct tax regime for firms in and out of the SEZs--except for the possibility of streamlined procedures and reduced rates (while ensuring that enterprises operating in the SEZs will be subject to effective CIT), and except for temporary grandfathering of incentives granted under the tax regime for Export Free Zones), with no ministerial discretion—and apply regular personal income taxation for workers in SEZs. Reduced CIT rates for SEZ operators will be time-bound and non-renewable.

- Beyond the legislation establishing the SEZs, further actions to enhance tax and customs administration will be critical for the successful implementation of its tax regime, in particular to strengthen inventory management systems (notably for customs-related procedures) compliance enforcement to enhance risk management, and post clearance audit.

Reforms to Public Financial Management and the Budget Process

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

- The criteria for determining which entities would be deemed commercial and, on that basis, could be excluded from the coverage of the fiscal rule have been completed, the associated regulations completed, and a sensitization programme will get underway in the first quarter of FY2015/16.
- A Procurement Act is expected to be passed in June 2015. Next steps include:
  - Implementation of the Electronic Tendering System in four pilot entities during the financial year; the implementation of the pilot (e-gov) is to start in July 2015;
  - A new procurement manual, to be prepared by December 2015, with IDB assistance.
- The macro-fiscal capacity of the Ministry of Finance and Planning (MOFP) will be strengthened with the support of IMF and other TA. We will:
  - undertake hands-on training for the members of the Fiscal Policy Management Unit (FPMU);
  - review, re-organize and reclassify the functions and positions in the FPMU, by December 2015;
  - develop structured work plans for each position in the re-organized FPMU by December 2015;
  - recruit additional qualified staff for the re-organized Unit by March 2016; and

  - document procedures of methodology and processes for the efficient production of key outputs and effective management of datasets and information on an on-going basis.

- The Treasury Single Account (TSA) at the Bank of Jamaica will be further expanded and improved, in accordance with a plan that was developed with Fund TA. In particular: the Government will further increase direct payments through the TSA using the central treasury management system (CTMS). This has commenced in January 2015 with civil servants salaries for the (pilot) Ministry of Finance and Planning. By September 2015, all salaries of civil servants at the central government will be paid through the TSA.
- Coverage and functionality of the CTMS will continue to be expanded. All funds under the direct control of the AGD will be managed in the General Ledger of the CTMS by September 2015.
- We will finalize, with the help of IMF TA, a service level agreement between the BOJ and the government for banking services provided by the BOJ by August 2015.
- The Accountant General's Department (AGD) is implementing changes to modernize its systems, processes and operations. It is expected that these changes should result in major improvements in its operations by March 2016. By September 2015, a Treasury modernization plan will be finalized and a new organizational structure defined.
- A new Cash Management Unit will be established in the AGD, and the cash management function (currently handled by FPMU) will be transferred to it by end-September 2015 (*structural benchmark*), with the help of IMF TA (funded by the Canadian Department of Foreign Affairs, Trade and Development). Furthermore, a new cash forecasting model is expected to be developed by June 2015 and to become operational by September 2015.
- The adjusted Chart of Accounts was first prepared in April 2014 and is undergoing further revisions with a view of its implementation for the 2016/17 budget.

Debt Management

15. The Government is committed to sharply reducing public debt, which is expected to decline to 96 percent of GDP by March 2020. This is expected to be achieved by sustained fiscal efforts, policies to bolster growth, as well as additional measures. In designing and implementing these undertakings, the Government will seek to ensure sound public sector governance and public debt management.

16. The Government will further strengthen its debt management strategy and capacity. The efficiency of the Debt Management Branch will be strengthened through increased staffing of the middle office, skills training and effecting improvements to securities operations and domestic market development, with the help of IMF TA (funded by the Canadian Department of Foreign Affairs, Trade and Development). The new medium-term debt management strategy and 2015/16 borrowing plan aim to reduce the burden of servicing government debt over time, and to ensure that the government has access to several sources of financing, including the domestic bond market. A debt management business continuity strategy and function will also be developed with IMF TA and in conjunction with similar BoJ and AGD planning. The business continuity function will be defined through back office procedures. In March 2015, the BOJ and the MOFP finalized a Fiscal Agency Agreement on debt management operations and the debt issuance process.

Public Sector Reform

17. The Government is committed to improving the efficiency, quality and cost effectiveness of the public sector.

- **Public sector transformation.** On the basis of our action plan we will:
  - put in place shared services within the central government starting with the legal services, with support from Justice Canada. The latter operation will be completed by end-October 2015. The report outlining an optimal shared service model for legal services and attendant service level agreements is under review by all stakeholders and its submission to Cabinet is expected by end-June 2015. The final plan will be implemented within 6 months of its acceptance by the Government of Jamaica.
  - merge the Forensic Laboratory and the Legal Medicine Unit. The organisational structure has been completed and it is expected that the new entity will be operational by September 2015.
  - complete the organisational structure for the merger of the Betting Gaming and Lotteries and the Racing Commissions by September 2015. It is expected that the merged structure will be implemented in May 2016.
  - merge the commodities boards (for cocoa, coffee and coconut) and the regulatory functions of the Export Division of MINAG pertaining to spices into a new body, to be called the Jamaica Agricultural Commodities Regulatory Authority (JACRA). This involves regulatory changes and preparing legislation for the JACRA. The merger is expected to be completed by March 31, 2016.
  - divest The Petroleum Company of Jamaica Limited, Petcom, with the selected bidder expected to be identified by July 31, 2015.
  - complete the RFP for the software for the Asset Management Shared Services by August 2015. Consequent on funding, we will seek to complete the procurement of that system by February 2016 to have a contract in place with the successful vendor for April 2016.
- **Wages and salaries.** The Government has initiated discussions on a new wage agreement for the period after March 2015, to maintain a path of public sector wages consistent with a

reduction in the wage bill to 9 percent of GDP in 2016/17 and firmly maintaining the ratio of public debt to GDP on a downward path over the medium term.

- **Public Sector Positions**. The GOJ will continue to reduce the size of the public sector over 2014–16 through the elimination of posts and an attrition programme. To ensure that the GOJ's overall wage ceiling of 9 percent of GDP by 2016/17 is met, the filling of vacant positions will be constrained as needed, guided subject to the need to preserve capacity in a limited number of priority areas.

- **Pension Reform**. The new public pension system, as described in the June 2014 MEFP, is expected to be implemented by April 2016 (the start of FY 2016/17). The requisite changes in legislation are expected to be tabled by end-November 2015 (structural benchmark).

- **The implementation of the human resources software system (the HCMES system; including Payroll) is progressing.** The process to evaluate the bids and identify the preferred vendor was completed in February 2015. Contract negotiation and agreement of the terms of the contract is expected to be completed by June 2015. To ensure a timely start to implementation of the system for the wider public sector, with IDB support, a dedicated project management team is now in place, and the project plan to be completed by July 2015. Implementation of the HCMES/Payroll system for the first entity, subject to the Vendor, is now expected to start in July 2015. Implementation for the remaining six entities in phase 1 will commence by January 2016.

- **A Chief Information Officer has been selected and was appointed in March 2015 to lead the e-government initiative and the public sector IT strategy.**

18. In the area of public bodies, further improvement is to be achieved.

- To enhance transparency, the annual reports (including audited statements) for self-financing public bodies will be completed within six months of the end of the fiscal year; this is to be achieved by December 2015 for all self financing public bodies (with the exception of PetroCaribe, and Petrojam). Self Financing Public Bodies that fail to meet the statutory condition without reasonable cause, will be sanctioned under Section 25 of the Public Bodies Management and Accountability Act.

- Monitoring of budget-funded public bodies will be strengthened by (1) enforcing the six months time limit for submission of the relevant public bodies' financial statements to the Auditor General; and (2) bolstering capacity within the Auditor General's office for more in-depth and frequent reviews of these statements. Following the funding and commencement of additional recruitment, a new organizational structure will be approved by end-September 2015.

- In addition, a review will be undertaken to evaluate the scope for reintegrating some public bodies into the central government and setting others at a more arms-length distance from the central government with a governance framework aligned with international best practices. TA is being requested to guide this review.

IV. FINANCIAL SECTOR REFORMS

19. We are strengthening the prudential framework for financial supervision.

- We expect to make effective, by end-September 2015 (structural benchmark), the Banking Services Act; the supporting regulations that require parliamentary approval will be tabled in July 2015.
- In October 2015 we will start executing the strategy paper to gradually tighten prudential standards for the securities sector taking into account progress towards the objective to ensure that in the near to medium term the size of the retail repo business is reduced to a level deemed by the BOJ and the FSC to be systemically safe and prudentially manageable.
- We have set a minimum transaction size for retail repos that we will gradually increase to J$1,000,000 by end-December 2015. Quarterly we will assess whether we need to expedite the timetable to gradually increase the minimum transaction size of retail repos and/or increase the ultimate minimum transaction size.
- By end-December 2015 we will have taken steps to further strengthen depositor protection and investor compensation across financial institutions.

20. We are enhancing the arrangements for financial crisis preparedness and management.

- Under auspices of the FRC, the national crisis management plan has been finalized to complement the plans of the BOJ, the FSC, the JDIC, and the MOFP.
- We expect to make effective, by end-November 2015, any legislative provisions to support the national crisis management plan and to strengthen the resolution framework for the securities sector that will be tabled in October 2015, building on IMF TA.
- We expect to make effective, by end-June 2016, any legislative provisions to support the resolution framework for the banking sector that will be tabled in March 2016, building on IMF TA, with a stakeholder consultation process scheduled to start in December 2015.

21. We are strengthening the mandate and governance of the BOJ.

- The BOJ will, commencing November 1, 2015 (structural benchmark) have overall responsibility for financial stability. Amendments to the BOJ Act that vest the BOJ with this responsibility will be tabled in July 2015.

- We have prepared a comprehensive strategy paper to enhance BOJ governance and autonomy over the program period—taking into account the findings of the IMF's Safeguards Assessment. We intend to table any related amendments to the BOJ Act following a green paper that will be tabled in July 2015.

22. We are implementing measures to protect the interest of retail repo clients.

- In consultation with IMF staff, we have established a distinct treatment for retail repo clients in the legal and regulatory framework in order to protect their interests prior to and in the event of the insolvency of a securities dealer. This entails establishing a Trust to hold the underlying securities on their behalf during the term of the retail repo. The trust will also facilitate appropriate actions in the event of a transaction failure or default.

- The transition of retail repos to the trust-based framework will be finalized by end-August 2015 (structural benchmark) taking into account evolving market conditions and ensuring financial stability. As interim steps, we have undertaken a pilot, and will start the transition in June 2015.

- We are encouraging holders of retail repos that were concluded prior to January 1, 2015 that will mature after the transition period, to amend their contracts so these can participate in the transition and enjoy the protections offered by the trust-based framework.

- We continue to improve the financial and operational readiness of the securities dealers to move to a trust-based framework, supported by regular joint focused stress tests by the BOJ and the FSC. We will also bolster—together with the JSE entities—communication efforts to inform the securities dealers and the general public about the upcoming changes.

- Meanwhile, we continue to make less risky business models available to securities dealers. We will raise the investment cap for CIS in foreign assets to 25 percent by end-December 2015 according to the timeline that was published in January 2015. This cap will be removed altogether by end-2016, unless extraordinary circumstances require a reassessment. Moreover, the BOJ, in collaboration with the FSC, has prepared a paper for discussion with the regulated entities in the insurance and pensions sectors, detailing how for these sectors current limits on permissible investments in foreign assets can be relaxed at a later stage.

V. MONETARY AND EXCHANGE RATE POLICY

23. Monetary policy remains aimed at achieving single digit inflation within a flexible exchange rate regime. We envisage inflation in the range of 5.5 to 7.5 percent in FY2015/16. Over the longer term, the objective is to achieve a gradual reduction of inflation to a rate that is consistent with that of our main trading partners, in the context of a possible move to full-fledged inflation targeting. Starting 2015, the BoJ will conduct annual reviews to assess our readiness for inflation targeting. The first review will assess institutional readiness as at March 2015 and is expected to be completed by October 2015.

24. The BOJ will continue to respond to liquidity pressures in the financial system. As a further refinement to its liquidity provision framework, the BoJ is making preparations for the introduction of auctions for periodic repo operations during the course of the year with the assistance of IMF TA. Over the course of FY 2015/16, the BOJ will also consider other refinements to its monetary policy operations such as varying the width of the interest rate corridor in order to further increase certainty in its liquidity provision at a price consistent with its policy goals.

VI. GROWTH ENHANCING REFORMS

25. A new Growth Agenda Policy Paper was submitted to Parliament in March 2015. The paper laid out a detailed Growth Agenda Matrix that specifies the priority actions to implement the business environment reforms and strategic projects, with clear assignment of responsibility for implementation by each Ministry, Department and Agency (MDAs). The MDAs will report implementation progress on a monthly basis to the Growth Agenda Subcommittee for review. This approach ensures accountability and efficient and effective implementation of the Growth Agenda. The strategy as a whole provides a framework to mobilize productive assets and unleash entrepreneurial dynamism to generate inclusive and sustainable growth.

26. Further actions for improving the business climate are critical:

- The Application Management and Data Automation system (AMANDA) will allow the Government to track approval of construction permits across all parish councils in Jamaica and is being implemented with support from the World Bank. AMANDA has been implemented in all parishes. The Government will now focus on implementing the system in all commenting agencies to make it fully operational by June 2015. A Concept Paper has been developed to revise and standardize the fee structure for application fees, with a view to implement the new structure by December 2015.

- Cabinet approved reforms to the Development Applications Process (DAP) in December 2014, to be implemented within two years. By July 2015, applications for projects above certain thresholds will be handled by a joint technical team, which would include NEPA, National Works Agency and the relevant parish councils, while smaller projects will be handled by the parish councils, with clarity on the expected maximum timeframes. The new process will result in a faster, more streamlined approvals process. We will report, on a quarterly basis, on progress in reducing the time needed, including against the 90 day benchmark. Meanwhile, the National Building Act is expected to be passed by September 2015, and become effective by December 2015, and will provide the regulatory framework for the acceptance of certification from licensed professionals. Building Code and Application Document will be implemented by August 2015.

- Under the Land Administration and Management Programme (LAMP) 851 new titles were issued during 2014/15. LAMP services have been expanded to clients in St. Ann and Westmoreland, and will be expanded to St. James, Trelawny and Hanover in 2015/16. During 2015/16, we expect to issue an additional 2,500 titles under this program.

- The new Insolvency Act and its implementing regulations are now effective. Training is being supported by the IADB. A Supervisor of Insolvency has been appointed by Cabinet, and the Office of the Supervisor of Insolvency is now in operation.

- An on-line system for business registration will be piloted by December 2015 and in place by April 2016, with IDB support. By then, the turnaround time for applications will be reduced further to two business days.

- Urgent actions will be taken to reduce the time needed for entrepreneurs to get an electricity connection. Plans foresee the automation of the work processes within the Government Electricity Inspectorate (GEI) and the acquisition of AMANDA software to streamline procedures for scheduling, inspecting, approving and certifying electrical installations. An action plan for implementation of the reforms is to be completed by June 2015, and adoption of the AMANDA system is expected to be completed by end 2015/16, with IDB support.

- Plans to establish a Port Community System (PCS) to electronically integrate and streamline export and import procedures are underway. The ASYCUDA World Customs Management System acquired by the Jamaica Customs Administration will support integrated processes/procedures and the National Single Window. Functions of the PCS that cannot be offered through ASYCUDA will be pursued by the private sector, possibly under a management contract. A new PCS RFP is currently underway, and a preferred bidder was selected in May 2015. The systems will ultimately be integrated to provide a complete trade and logistics solution for Jamaica. The project is expected to be completed by mid-2016.

- The Development Bank of Jamaica (DBJ) will provide J$4.1 billion funding to MSMEs in 2015/16, up from J$3 billion in 2014/15. The Mobile Money for Microfinance initiative will be fully rolled out in 2015 to increase access to credit for small borrowers.

- The Agro Parks Initiative, which aims to stabilize the agricultural supply chain and increase import replacement is progressing. Nine agro parks are already operational. Negotiations are ongoing to establish at least five more parks in 2015/16.

- A national strategic plan for the BPO industry was approved by Cabinet in March 2015 and implementation started in April 2015. Key actions under the plan include the establishment of a policy and legislative framework; labour market initiatives, infrastructure development, and actions to support market penetration.

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

- In early April 2015, a 30-year concession agreement was signed with a private consortium regarding the privatization of Kingston Container Terminal (KCT). Under the agreement the concessionaire will undertake dredging the access channel to the Kingston Harbour and the KCT basin to allow for the handling of larger vessels that will transit the Panama Canal after its expansion. The transfer of the operating control to the concessionaire is expected to take place shortly after financial close of the transaction, which is expected in the last quarter of CY2015. The concessionaire is expected to invest approximately US$625 million over two phases of the concession, with the possibility of a third phase to be negotiated.

- Work is proceeding on the privatization of Norman Manley International Airport (NMIA). The pre-qualification of bidders has been completed, with five bidders being shortlisted. The selection of a preferred bidder is expected by December 2015.

- Work is also proceeding on the Caymanas SEZ, with World Bank support, with the issuance of the tender for the feasibility study in May 2015, on the basis of the results of the pre-feasibility study which was completed in January 2015. The feasibility study is expected to commence by August 2015.

- Regarding the development of a transhipment port and industrial and commercial zones in the Portland Bight area by China Harbour Engineering Company (CHEC), technical feasibility studies have commenced. This is a prerequisite for determining the construction methodology and for obtaining the terms of reference from NEPA for the Environmental Impact Assessment. The project will be executed in phases with the first phase projected to be completed in the last quarter of 2016, pending the necessary approvals in each stage.

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

- The action plan prepared by the Electricity Sector Enterprise Team (ESET) foresees replacing current (oil-fired) generation capacity with gas, coal and ethane-fired plants, to achieve significant cost savings. Next steps will include the conversion of the Bogue power station from oil to gas by March 2016. In addition, the government has approved the construction of Jamaica's first natural gas-fired power plant, a 190MW facility to be built and operated by JPS, and to be completed by 2017. Several renewable energy projects are also under way.

- A revised Electricity Act was tabled in parliament in January (*structural benchmark),* and is expected to become effective by June 2015.

- We are also preparing a plan to ensure that all public entities (central government, local government, and public bodies) meet their financial obligations in a timely manner.

29. Labour market reforms are progressing. In the context of the recently launched Comprehensive Labour Market Reform Agenda, a Labour Market Reform Commission and Secretariat was established and became operational on April 1, 2015. The Commission will review policies and practices in the areas of education and training; productivity, technology and innovation; labour policies and legislation; social protection; and industrial relations. A concept note on options to reduce the impact of high separation costs is expected to be submitted to Cabinet in July 2015.

VII. POVERTY REDUCTION AND REFORM OF SOCIAL SPENDING

30. We established a new National Poverty Reduction Committee in early 2015. An inter-sectoral Committee has been convened to guide and monitor the process of development of a new National Policy on Poverty and a new Poverty Reduction Programme by the end of FY2015/16.

31. Efforts to strengthen the social protection framework are progressing. Broad implementation of the graduation strategy for PATH households is anticipated by mid-2015. The government launched a comprehensive social protection strategy in July 2014, and a monitoring and evaluation framework is now being developed. A National Social Protection Committee has been convened with the first meeting held in November 2014.

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

(In billions of Jamaican dollars)

	2014	2015									2016
	End-Dec.	End-Mar.	End-Mar.	End-Mar.	End-June	End-June	End-Sep.		End-Dec.		End-Mar.
	Stock	PC	Adjusted	Actual	PC	Proposed Revised PC	PC	Proposed Revised PC	PC	Proposed Revised PC	Proposed PC
Fiscal targets											
1. Primary balance of the central government (floor) 4/		121.0		117.2	17.0	17.0	40.0	40.0	65.0	65.0	126.0
2. Tax Revenues (floor) 4/9/		384.0		370.9	88.0	88.0	189.0	185.0	287.0	280.0	411.0
3. Overall balance of the public sector (floor) 4/		-11.6	-12.6	6.5	-21.0	-21.0	-33.0	-34.0	-35.0	-36.0	-3.7
4. Central government direct debt (ceiling) 4/5/		90.6		76.8	4.5	4.5	0.0	40.0	12.0	41.0	71.0
5. Central government guaranteed debt (ceiling) 4/		-1.8		-1.8	2.0	2.0	2.0	2.0	0.0	0.0	0.0
6. Central government accumulation of domestic arrears (ceiling) 6/12/13/	21.6	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Central government accumulation of tax refund arrears (ceiling) 7/12/13/		0.0		-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Consolidated government accumulation of external debt payment arrears (ceiling) 6/12/		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Social spending (floor) 9/10/		21.7		23.2	4.5	4.5	9.2	9.2	15.6	15.6	23.2
Monetary targets											
10. Cumulative change in net international reserves (floor) 8/11/	1997.7	529.4	352.3	1289.9	470.3	-482.2	469.0	-463.3	614.5	-338.0	-339.0
11. Cumulative change in net domestic assets (ceiling) 11/	-120.2	-55.1	-36.3	-139.9	-45.7	54.4	-44.0	56.1	-45.5	53.8	24.2

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ Including proposed modified performance criteria for the net international reserves and the net domestic assets.
3/ Based on program exchange rates defined in the March 2015 TMU.
4/ Cumulative flows from April 1 through March 31.
5/ Excludes government guaranteed debt. The central government direct debt excludes IMF credits.
6/ Includes debt payments, supplies and other committed spending as per contractual obligations.
7/ Includes tax refund arrears as stipulated by law.
8/ In millions of U.S. dollars.
9/ Indicative target.
10/ Defined as a minimum annual expenditure on specified social protection initiatives and programmes.
11/ For March 2015: cumulative change from end-December 2013; proposed revised PC show cumulative change from end-December 2014.
12/ Continuous performance criterion.
13/ This accumulation is measured as the change in the stock of arrears relative to the stock at end-March 2014. The latter stock is listed in the column for the stock at end-December 2014.

Table 2. Jamaica: Structural Program Conditionality

Measures	Status/Timing	
Structural Benchmarks	**Timing**	**Implementation status**
Institutional fiscal reforms		
1. Revise the relevant legislation for the adoption of a fiscal rule to ensure a sustainable budgetary balance, to be incorporated in the annual budgets starting with the 2014/15 budget.	March 31, 2014	Met
2. Government to finalize a review of public sector employment and remuneration that serves to inform policy reform.	March 31, 2014	Met
3. Government to ensure there is: (i) no financing of Clarendon Alumina Production (CAP) by the government or any public body, including Petro Caribe; and (ii) no new government guarantee for CAP or use of public assets (other than shares in CAP and assets owned by CAP) as collateral for third-party financing of CAP.	Continuous	Met
4. Government to table in parliament a budget for 2014/15 consistent with the program.	April 30, 2014	Met
5. Government to table in parliament a comprehensive Public Sector Investment Program (MEFP paragraph 17, Country Report No. 13/378).	April 30, 2014	Met
6. Cap the total loan value of all new user-funded PPPs at 3 percent of GDP on a cumulative basis over the program period.	Continuous	Met
7. Ensure that the public service database e-census is up to date and covers all Ministries, Departments and Agencies.	September 10, 2014	Met
8. Develop an action plan for public sector transformation to cover the following areas: (1) the introduction of shared corporate services, (2) the reallocation, merger, abolition and divestment/privatization of departments and agencies, (3) outsourcing of services, (4) strengthening control systems and accountability (including in auditing and procurement), and (5) aligning remuneration with job requirements.	September 30, 2014	Met
9. Government to table changes in legislation for the new public sector pension system expected to be implemented by April 2016 (MEFP paragraph 25, Country Report No. 14/169).	November 30, 2015	
10. Government to establish a new Cash Management Unit in the Accountant General Department (AGD) and transfer to it the cash management function currently handled by the Fiscal Policy Management Unit (FPMU).	September 30, 2015	
Tax Reform		
11. Government to implement the Cabinet decision stipulating the immediate cessation of granting of discretionary waivers as stipulated in the TMU.	Continuous	Met
12. Broader tax reform to become effective, including the modernization of taxes, with limited exemptions, and lower tax rates (paragraphs 6, 7, 8, and 9 of the MEFP for Country Report 13/378) and as stipulated in par. 13 of the March 2014 MEFP.	March 31, 2014	Met
13. Government to table in parliament amendments to the GCT as stipulated in paragraph 12 of the June 2014 MEFP.	June 30, 2014	Met
14. Government to conduct an entity by entity review of all grandfathered entities and of their specific tax incentives in the context of the new tax incentives legislation by end-2014/15.	January 31, 2015	Not met 2/
15. Government to table legislation governing the tax regime that will be part of the SEZ legislation consistent with the criteria listed in the June 2015 MEFP par. 13 to help safeguard the integrity of the tax system and avoid tax leakage.	October 31, 2015	Proposed
Tax Administration		
16. Government to make e-filing mandatory for LTO clients with respect to General Consumption Tax (GCT) and Corporate Income Tax (CIT).	March 31, 2014	Met
17. Government to implement ASYCUDA World for the Kingston Port as a pilot site.	December 31, 2014	Met
18. Government to: (i) increase the number of staff in the large taxpayers office (LTO) by a further 30 auditors (from March 2014 to March 2015); (ii) increase the number of (full plus issue) audits completed in the LTO by 100 percent (from FY 2013/14 to FY 2014/15); (iii) achieve 95 percent take up rate of e-filing and e-payment in the LTO; (iv) write-off all GCT and SCT debts that have been subjected to risk-rated stress tests and consequently categorized as uncollectible according to the Regulations.	March 31, 2015	Not met 3/
19. Government to complete pilot testing of ASYCUDA World (covering imports and exports) in the Kingston port.	May 31, 2015	
20. Government to implement Phase 1 (Registration, GCT, SCT, GART, Telephone) of the GENTAX integrated tax software package.	February 28, 2015	Met
21. Government to table in Parliament proposals for a comprehensive overhaul of the Customs Act.	June 30, 2015	
22. Government to introduce new productivity indicators, in consultation with Fund staff, to measure the effectiveness and efficiency of the tax system.	November 30, 2015	
23. Government to implement Phase 2 of the RAiS (GENTAX) integrated tax software package, for all major tax types.	December 31, 2015	

Table 2. Jamaica: Structural Program Conditionality (concluded)

Financial sector		
24. Government to table legislative changes regarding unlawful financial operations, consistent with Fund TA advice provided in July 2010.	March 31, 2014	Met
25. Government to submit proposals for a distinct treatment for retail repo client interests in the legal and regulatory framework to the relevant financial industry for consultation (MEFP March 2014 Paragraph 25) in consultation with Fund staff.	March 31, 2014	Met
26. Government to establish a distinct treatment for retail repo client interests in the legal and regulatory framework (June 2014 MEFP Paragraph 29) in consultation with Fund staff.	December 30, 2014	Met
27. Government to table the Omnibus Banking Law 1/ consistent with Fund Staff advice to facilitate effective supervision of the financial sector.	March 31, 2014	Met 4/
28. Government to finalize the transition of retail repos to the trust-based framework.	August 30, 2015	
29. Government to fully implement the Banking Services Act.	September 30, 2015	
30. The BOJ to have overall responsibility for financial stability.	November 1, 2015	
Growth enhancing structural reforms		
31. Government to implement a new (AMANDA) tracking system to track approval of contruction permits across all parish councils.	December 30, 2014	Met
32. Government to table in parliament the Electricity Act.	January 31, 2015	Met

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

Attachment II. Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding (TMU) sets out the understandings between the Jamaican authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the programme supported by the extended arrangement under the EFF.** It also describes the methods to be used in assessing the programme performance and the information requirements to ensure adequate monitoring of the targets. In addition, the TMU specifies the requirements under the continuous structural benchmark concerning discretionary tax waivers.

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

Table 1. Program Exchange Rates (End-December, 2014)/1

Jamaican dollar to the US dollar	114.66
Jamaican dollar to the SDR	166.12
Jamaican dollar to the euro	139.21
Jamaican dollar to the Canadian dollar	97.69
Jamaican dollar to the British pound	177.68

1/ Average daily selling rates at the end of December 2014

I. QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

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

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

A. Cumulative Floor of the Central Government Primary Balance

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

6. **Revenues are recorded when the funds are transferred to a government revenue account.** Revenues will also include grants. Capital revenues will not include any revenues from asset sales proceeding from divestment operations. Central government primary expenditure is recorded on a cash basis and includes compensation payments, other recurrent expenditures and capital spending. Primary expenditure also includes transfers to other public bodies which are not self-financed. Costs associated with divestment operations or liquidation of public entities, such as

cancellation of existing contracts or severance payments to workers will be allocated to current and capital expenditures, accordingly.

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

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

B. Cumulative Floor on Overall Balance of the Public Sector

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

10. Public bodies consist of all self-financed public bodies, including the 17 "Selected Public Bodies" and "Other Public Bodies". The 18 "Selected Public Bodies" include: Airport Authority of Jamaica (AAJ); Human Employment and Resource Training Trust (HEART); Jamaica Mortgage Bank (JMB); Housing Agency of Jamaica (HAJ); National Housing Trust (NHT); National Insurance Fund (NIF); Development Bank of Jamaica (DBJ); National Water Commission (NWC); Petrojam; Petroleum Corporation of Jamaica (PCJ); Ports Authority of Jamaica (PAJ); Urban Development Corporation (UDC); Jamaica Urban Transit Company Ltd. (JUTC); Caymanas Track Ltd. (CTL); National Road Operating and Constructing Company Ltd. (NROCC); Petro-Ethanol; Clarendon Aluminum Production (CAP);. "Other Public Bodies" include: Road Maintenance Fund; Jamaica Bauxite Mining Ltd.; Jamaica Bauxite Institute; Petroleum Company of Jamaica Ltd. (Petcom); Wigton Windfarm Ltd.; Broadcasting Commission of Jamaica; The Office of Utilities Regulation; The Office of the Registrar of Companies, Runaway Bay Water Company, Jamaica National Agency for Accreditation, Spectrum Management Authority; Sports Development Foundation; Bureau of Standards Jamaica; Factories Corporation of Jamaica Ltd.; Kingston Freezone Company Ltd.; Micro Investment Development Agency Ltd.; Montego Bay Freezone Company Ltd.; Postal Corporation of Jamaica Ltd.; Self Start Fund; Betting Gaming and Lotteries Commission; Culture, Health, Arts, Sports and Education Fund; Financial Services Commission; Jamaica Deposit Insurance Corporation, Jamaica Racing Commission, National Export-Import Bank of Jamaica Ltd.; PetroCaribe Development Fund; Tourism Enhancement Fund, The Public Accountancy Board; Students' Loan Bureau; National Health Fund; Cocoa Industry Board; Coffee Industry Board; Sugar Industry Authority; Overseas Examination Commission; Aeronautical Telecommunications Ltd.; Jamaica Civil Aviation Authority; Jamaica Ultimate Tire Company Ltd.; Jamaica Railway Corporation Ltd.; The Firearm Licensing Authority; Ports Management Security Corps Ltd.; Transport Authority.

11. The overall balance of public bodies will be calculated from the Statement A's provided by the Public Enterprises Division of the Ministry of Finance and the Planning (MoFP) for each of the selected public bodies and the group of the other public bodies as defined above. The definition of overall balance used is operational balance, plus capital account net of revenues (investment returns, minus capital expenditure, plus change in inventories), minus dividends and corporate taxes transferred to government, plus net other transfers from government. For the particular case of the National Housing Trust and the House Agency of Jamaica, capital account revenues will not be netted out since they do not refer to flows arising from assets sales but rather to contribution revenue and therefore will be included among recurrent revenue such as is done for pension funds. The definitions of "Selected Public Bodies" and "Other Public Bodies" will be adjusted as the process of public bodies' rationalization, including divestments and mergers, advances. However, this process will not affect the performance criterion unless specifically stated. All newly created entities, including from the merging of existing entities, will be incorporated in either of these two groups.

12. The overall balance of the public sector is calculated as the sum of central government overall balance and the overall balance of the public bodies.

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

14. Adjuster: The floor for the overall public sector balance (cumulative since the beginning of the fiscal year) will be adjusted downward (upward) by an amount equivalent to the shortfall (excess) of PetroJam's overall balance (relative to baseline projections in Table 2), with the value of the adjustment at the end of any quarter capped at J$3.5 billion.

Table 2. Overall Balance of Petrojam (Baseline Projection)

	In billions of Jamaican dollars
End-December 2014	-2.0
End-March 2015	-3.8
End-June 2015	2.5
End-September 2015	-1.8
End-December 2015	-2.8
End-March 2016	-3.5

C. Ceiling on the Stock of Central Government Direct Debt

15. Definitions: Central government direct debt includes all domestic and external bonds and any other form of central government debt, such as supplier loans. It excludes IMF debt. It includes loan disbursements from the PetroCaribe Development Fund to finance central government operations. The target will be set in Jamaican dollars with foreign currency debt converted using the programme exchange rate. The change in the stock of debt will be measured "below the line" as all debt issuance minus repayments on all central government debt.

16. 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.

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

18. Adjusters: The target will be adjusted upwards if explicit government guarantees (defined as the stock of existing guarantees as of end March 2012 plus new guarantees allowed to be issued under the programme) are called. The target will be adjusted downwards if net divestment revenues (i.e. net of divestment expenses) take place. The debt target will be adjusted for cross-currency parity changes; and pre-financing, as reflected by the increase in central government deposits.

D. Ceiling on Net Increase in Central Government Guaranteed Debt

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

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

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

22. Adjuster: In the case where the central government debt guarantees are called, the stock of central government guaranteed debt will be adjusted downwards to preserve the performance criteria.

E. Ceiling on Central Government Accumulation of Domestic Arrears

23. Definition: Domestic arrears are defined as payments to residents determined by contractual obligations that remain unpaid 90 days after the due date. Under this definition, the due date refers to the date in which domestic debt payments are due according to the relevant contractual agreement, taking into account any contractual grace periods. Central government domestic arrears include arrears on domestic central government direct debt, including to suppliers and all recurrent and capital expenditure commitments. This accumulation is measured as the change in the stock of domestic arrears relative to the stock at end-March 2014, which stood at J$21.6 billion.

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

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

F. Non-Accumulation of External Debt Payments Arrears

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

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

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

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

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the programme, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

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

30. Definitions: Under this definition of debt set out above, external payments arrears consist of arrears of external debt obligations (principal and interest) falling due after March 31, 2014 that have not been paid at the time due, taking into account the grace periods specified in contractual agreements. Arrears resulting from nonpayment of debt service for which a clearance framework has been agreed or rescheduling agreement is being sought are excluded from this definition.

31. 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.

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

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

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

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

G. Ceiling on Central Government Accumulation of Tax Refund Arrears

36. Definition: Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid 90 days after the due date. This accumulation is measured as the change in the stock of tax refund arrears relative to the stock at end-March 2014, which stood at J$23.2 billion.

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

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

H. Floor on the Cumulative Change in Net International Reserves

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

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

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

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

Table 3. External Program Disbursements (baseline projection)	
Cumulative flows from the beginning of the fiscal year	(In millions of US$)
External loans from multilateral sources	
End-March 2015	185
End-June 2015	100
End-September 2015	151
End-December 2015	197
End-March 2016	279
Budget support grants	
End-March 2015	0
End-June 2015	12
End-September 2015	21
End-December 2015	21
End-March 2016	35
IMF budget support disbursements	
End-March 2015	142
End-June 2015	0
End-September 2015	0
End-December 2015	0
End-March 2016	0

The NIR target will be adjusted upwards (downwards) by the amount by which, at a test date, the cumulative changes from end-December 2014 in BOJ's foreign exchange liabilities to residents with a maturity of less than one year (including banks' foreign currency deposits in BOJ) are higher (lower) than the baseline projection for this change reported in Table 4.

Table 4. Reserve Liabilities Items for NIR Target Purposes	
	(In millions of US$) 1/
BOJ's foreign liabilities to residents	
Outstanding stock	
End-December 2014	242.0
Cumulative change from end-December 2014	
End-March 2015	103.4
End-June 2015	108.0
End-September 2015	94.1
End-December 2015	126.1
End-March 2016	158.2

1/ Converted at the programme exchange rates.

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

43. Definition: The Bank of Jamaica's net domestic assets (NDA) are defined as the difference between the monetary base and NIR, converted into Jamaican dollars at the programme exchange rate. The monetary base includes currency in the hands of the non-bank public plus vault cash held in the banking system, statutory cash reserve requirements against prescribed liabilities in Jamaica Dollars held by commercial banks at the Bank of Jamaica and the current account of commercial banks comprising of credit balances held at the central bank.

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

45. Adjusters: The NDA target will be adjusted downward (upward) for the surplus (shortfall) in programme loan disbursements from multilateral institutions (the IBRD, IDB and CDB) relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will be adjusted downward (upward) for the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will also be adjusted downward (upward) for the surplus (shortfall) in IMF budget support purchases relative to the baseline projection reported in Table 3, converted into Jamaican dollars at the programme exchange rate. The NDA target will be adjusted downwards (upwards) by the amount by which, at a test date, the cumulative changes from end-December 2013 in BOJ's foreign exchange liabilities to residents with a maturity of less than one year (including banks' foreign currency deposits in BOJ) are higher (lower) than the baseline projection for this change reported in Table 4, converted into Jamaican dollars at the programme exchange rate.

II. QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

A. Cumulative Floor on Central Government Tax Revenues

46. Definition: Tax revenues refer to revenues from tax collection. It excludes all revenues from asset sales, grants, bauxite levy and non tax revenues. To gauge the impact of the tax policy reforms and improvements in tax administration, the programme will have a floor on central government tax revenues (indicative target). The revenue target is calculated as the cumulative flow from the beginning to the end of the fiscal year (April 1 to March 31).

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

B. Floor on Central Government Social Spending

48. Definition: Social spending is computed as the sum of central government spending on social protection programmes as articulated in the central government budget for a particular fiscal year. These programmes are funded by GOJ resources only and comprise conditional cash transfers to children 0–18 years and the elderly; youth employment programmes; the poor relief programme for both indoor and outdoor poor; the school feeding programme; and the basic school subsidy.

49. In particular, this target comprises spending on specific capital and recurrent programmes. On capital expenditure the following specific programmes must be included in the target:

- *Youth employment programmes* comprising on the job training, summer employment and employment internship programme.

- *Conditional cash transfers* comprising children health grant, children education grants, tertiary level, pregnant and lactation grants, disabled adult grants, adult under 65 grants and adults over 65 grants.

- *Poor relief programme*.

50. On recurrent expenditure, the following specific programmes must be included in the floor on social expenditure*:*

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

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

III. CONDITIONALITY ON TAX WAIVER REFORM

52. Under the continuous structural benchmark regarding the application of discretionary tax waivers, the granting of new discretionary waivers is subject to a *de minimis* cap' of J$10 million in any month.

53. For the purpose of this condition, discretionary waivers are defined as: any reduction in tax or customs duty payable, effected through the direct exercise by the Minister of Finance of his powers under the various tax statutes; in circumstances where there is no express provision for exemption in any statute.

54. The amounts covered under the cap would exclude tax measures related to international treaties not yet ratified and provisions for CARICOM suspensions which are binding international legal obligations.

IV. CONDITIONALITY ON USER-FUNDED PPPS

55. Under the continuous structural benchmark regarding the total loan value of all new user-funded PPPs, the total value of all such loans contracted after May 1, 2013 will be capped at 3 percent of GDP on a cumulative basis over the programme period. At end-June 2014, the total loan value of existing user-funded PPPs contracted after May 1, 2013 was zero.

56. For the purpose of this condition, the loan value of a PPP may be excluded if the Office of the Auditor General has established that the PPP involves only minimal contingent liabilities (by demonstrating that the project has no debt guarantee, demand or price guarantees or termination clauses that could imply a transfer of liabilities to the government).

57. For the purpose of this condition, the applicable GDP is the projected nominal GDP for the fiscal year published in the Fiscal Policy Paper tabled in parliament ahead of the adoption of the budget. For FY2015/16, the projected nominal GDP used as a reference is J$1,690 billion, as presented in Table 2G, part 2, Macroeconomic Framework, page 15.

V. INFORMATION REQUIREMENTS

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

Daily

- Net international reserves; nominal exchange rates; interest rates on BOJ repurchase agreements; total currency issued by the BOJ, deposits held by financial institutions at the BOJ; required and excess reserves of the banking sector in local and foreign currency, total liquidity assistance to banks through normal BOJ operations, including overdrafts; overnight interest rates; GOJ bond yields.

- Disbursements from the Financial System Support Fund, by institutions.

- Liquidity assistance to institutions from the BOJ, by institution.

- Bank of Jamaica purchases and sales of foreign currency, by transaction type (surrenders, public sector entities facility and outright purchases or sales including interventions).

- Amounts offered, demanded and placed in Bank of Jamaica open market operations, including rates on offer for each tenor and amounts maturing for each tenor.

- Amounts offered, demanded and placed in government of Jamaica auctions and primary issues; including minimum maximum and average bid rates.

- Daily foreign currency government of Jamaica debt payments (domestic and external).

Weekly

- Balance sheets of the core securities dealers (covering at least 70 percent of the market), including indicators of liquidity (net rollovers and rollover rate for repos and a 10 day maturity gap analysis), capital positions, details on sources of funding, including from external borrowing on margin and clarity on the status of loans (secured vs. unsecured). Weekly reports will be submitted within 10 days of the end of the period. Deposits in the banking system and total currency in circulation.

Monthly

- Central government operations including monthly cash flow to the end of the current fiscal year, with a lag of no more than four weeks after the closing of each month.

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

- Central government debt amortization and repayments, by instrument (J$-denominated and US$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). Includes government direct, government guaranteed and total. In the case of issuance of government guaranteed debt, include the name of the guaranteed individual/institution. The reporting lag should not exceed four weeks after the closing of each month.

- Balances of the Consolidated Fund and main revenue accounts needed to determine the cash position of the government.

- Stock of central government expenditure arrears.

- Stock of central government tax refund arrears.

- Stock of central government domestic and external debt arrears and BOJ external debt arrears.

- Central government spending on social protection programmes as defined for the indicative target on social spending.

- Central government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (J$-denominated and US$-denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); (iii) direct and guaranteed. The reporting lag should not exceed four weeks after the closing of each month.

- The maturity structure of Government debt (domestic and external). The reporting lag should not exceed four weeks after the closing of each month. Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc.).

- Balance sheet of the Bank of Jamaica within three weeks of month end.

- A summary of monetary accounts providing detailed information on the accounts of the Bank of Jamaica, commercial banks and the overall banking system. Including Bank of Jamaica outstanding open market operations by currency and maturity and a detailed decomposition on Bank of Jamaica and commercial bank net claims on the central government, selected public bodies and other public bodies.[2] This information should be received with a lag of no more than six weeks after the closing of each month.

- Profits of the Bank of Jamaica on a cash and accrual basis, including a detailed decomposition of cash profits and profits from foreign exchange operations with a lag of no more than three weeks from month end.

- Deposits in the banking system: current accounts, savings and time deposits within six weeks after month end. Average monthly interest rates on loans and deposits within two weeks of month end; weighted average deposit and loan rates within six weeks after month end.

- Financial statements of core securities dealers and insurance companies within six weeks of month end.

- The maturity profile of assets and liabilities of core securities dealers in buckets within six weeks of month end.

- Data on reserve liabilities items for NIR target purposes (Table 9) within three weeks after month end.

- A full set of monthly FSIs regularly calculated by the BOJ, including liquidity ratios, within eight weeks of month end.

- Monthly balance sheet data of deposit taking institutions, as reported to the BOJ, within four weeks of month end.

---

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

- Issuance of exempt distributions by financial and non-financial corporations, six weeks after month end.
- Imports and exports of goods, in US$ million within twelve weeks after month end. Tourism indicators within four weeks after month end. Remittances' flows within four weeks after month end.
- Consumer price inflation, including by sub-components of the CPI index within four weeks after month end.
- The balance sheet of the PetroCaribe Development Fund with a lag of no more than six weeks after the closing of each month.
- Data on discretionary waivers, specifying those under the 'de minimis' cap, those under the broader cap and those covered by the exceptions from these caps.
- Data on tax waivers for charities and charitable giving.
- Data on the total loans value of all new user-funded PPPs, specifying the PPPs identified by the Office of the auditor General as involving only minimal contingent liabilities (including the absence of debt guarantees, demand or price guarantees or termination clauses that could imply a transfer of liabilities to the government).

Quarterly

- Holdings of government bonds (J$-denominated and US$-denominated) by holder category. The reporting lag should not exceed four weeks after the closing of each month (this would not be applicable to external and non-financial institutional holdings of GOJ global bonds as this information is not available to GOJ).
- Use of the PetroCaribe Development Fund, including loan portfolio by debtor and allocation of the liquidity funds in reserve within six weeks after month end.
- The stock of public entities non-guaranteed debt.
- Summary balance of payments within three months after quarter end. Revised outturn for the preceding quarters and quarterly projections for the forthcoming year, with a lag of no more than one month following receipt of the outturn for the quarter.
- Gross domestic product growth by sector, in real and nominal terms, including revised outturn for the preceding quarters within three months after quarter end; and projections for the next four quarters, with a lag no more than one month following receipt of the outturn for the quarter.

- Updated set of macroeconomic assumptions and programme indicators for the preceding and forthcoming four quarters within three months of quarter end. Main indicators to be included are: real/nominal GDP, inflation, interest rates, exchange rates, foreign reserves (gross and net), money (base money and M3), credit to the private sector, open market operations and public sector financing (demand and identified financing).

- BOJ's Quarterly Financial Stability Report.

- Quarterly income statement data of deposit taking institutions, as reported to the BOJ within eight weeks of the quarter end.

- Summary review of the securities dealer sector, within eight weeks of quarter end.

- Summary report of the insurance sector (based on current FSC quarterly report), within eight weeks of quarter end.

- Capital adequacy and profitability ratios (against regulatory minima) for DTI's and non-bank financial institutions within eight weeks of quarter end.

- FSC status report detailing compliance (and any remedial measures introduced to address any non compliance) with the agreed guidelines for the operation of client holding accounts at the Jam Clear@ CSD and FSC independent verification of daily reconciliations using data provided by Jam Clear@ CSD. Reports are due within four weeks of end quarter.

Annual

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

- Number of public sector workers paid by the consolidated fund by major categories.